

Organisational Change in Small and Medium Sized Enterprises - A Regional Study



(Photograph by R & L Mitchell September 2002)

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Abstract

The viability of small and medium sized enterprises (SMEs) (defined as having 20 to 200 employees for this research) is vital to economic stability and growth in the Regional District of the Central Okanagan (RDCO). An important factor in the survival and growth of these enterprises is their ability to implement effective organisational change.

This research has been defined by the research objective, to examine the nature of organisational change experienced by SMEs in the RDCO and considers research questions in relation to the prevalence of organisational change practices, the types of strategic changes and the external and internal factors influencing organisational change as well as changes in the structure of the work force. The objectives pursued with the introduction of change initiatives, and the extent to which the objectives were achieved was also considered.

The impact of selected demographic variables (size, presence of a human resources manager and existence of planning) on the introduction of organisational change practices and strategic changes was analysed and presented. The ability of regional SMEs to meet the economic expectations placed upon them and their uniqueness compared with large organisations was investigated. Examination of the relevance of existing models of organisational change to SMEs leads to the development and presentation of a new conceptual framework.

Information analysed quantitatively was obtained from a questionnaire distributed by e-mail or regular mail to approximately 400 businesses and that to be analysed qualitatively from in-depth interviews and a focus group involving a smaller sample of these same organisations.

SMEs in the RDCO are experiencing changes in management, changes in products and services, changes in equipment and technology as well as work force growth and the restructuring of work practices. Objectives sought by the introduction of these changes include improving labour productivity, reducing labour costs, increasing competitiveness, as well as improvements in internal communications, decision making, business processes, and customer service. The majority of SMEs report that they achieved these objectives to a major or minor extent.

The perspectives of managers and/or owners in SMEs relative to their first hand experiences and their reflections on organisational change are presented. The uniqueness of SMEs, the relevance of regional context and the pace and scope of change are considered. Insightful commentary has been summarized and a number of interesting themes emerge. The proposed new model for Organisational Change in SMEs has been refined and validated.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

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Signature of Candidate

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Date

ENDORSEMENT

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Signature of Supervisor/s

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Date

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CHAPTER ONE – INTRODUCTION

1.1 Background

Organisations are founded to last, many of them incorporated to exist as separate entities, with the expectation that they will continue in perpetuity. But in order to last, they must be able to adapt to the ever-changing environment (Want 1998, Wind & Main 1998, Burke 2002). With the scope and pace of political, social and economic change in today's business world, this is not an easy task. Sustainability and viability depend upon successful negotiation of organisational change and over the last fifty years theoretical models of organisational change have emerged attempting to explain the process of change. These models originated with the 'unfreezing, changing, re-freezing' continuum in the early work of Kurt Lewin (Aldag & Kuzuhara 2002; Cummings & Worley 2001; Senior 2002) through to contemporary models such as patching (Eisenhardt & Brown 1999) and soft systems (Senior 2002).

This ability to successfully implement organisational change is vital to all organisations of all sizes and with the growing international emphasis on small and medium enterprises (SMEs) it is important that they too are able to successfully implement organisational change.

The increasing importance of Small and Medium Enterprises (SMEs) is a global phenomenon brought about by market forces, technological advances, personal career aspirations and the underlying demographic changes of the population (Canadian Federation of Independent Business, Canadian Manufacturers and Exporters & RBC Financial Group 2002, and Curran & Blackburn 2001). The development and strengthening of SMEs has been identified as a priority area for the Asia Pacific Economic Cooperation (APEC) organization, the nation of Canada, the Province of British Columbia and the Regional District of the Central Okanagan (RDCO) (Asia Pacific Economic Cooperation 2002; Kwan 2002;

Economic Development Commission 2002). SMEs have been variously defined and an in-depth discussion of this situation is provided in Chapter 2, however, for the purpose of this research, SMEs are defined as organisations employing between 20 and 200 people. The differentiating characteristics of SMEs in relation to leadership, resources, markets, flexibility and structure are considered in Chapter 2. These characteristics are further considered in the context of organisational change models in Chapter 3.

The reasons that SMEs have been identified as key to the economic future include their level of activity in knowledge based sectors such as the high technology sector, business and consultancy services and other areas where economic development comes from brain power and creativity, not sheer size (Curran & Blackburn, 2001).

Some of the challenges faced by SMEs are arising from globalisation, increasing customer expectations, technological advances, and increased competition. Yet since business improvement models and process and management techniques have mostly originated in large, private-sector organisations, these models and techniques are not necessarily applicable to SMEs. It is inadequate and inappropriate for researchers, and authors, to postulate that the change processes of large organisations can be applied to SMEs in a less formal manner, or on a smaller scale, (McAdam 2000, McAdam & Armstrong, 2001, Curran & Blackburn, 2001). However, since SMEs are neither simple, nor scaled-down versions of large enterprises, it is a very challenging area for researchers.

With the lack of studies on change initiatives in SMEs (McAdam 2002) and a need for greater understanding of organisational change for all types of organisations, (Burke 2002), there is potential for this research to make a contribution in understanding organisational change in SMEs. A proposed new model of organisational Change in SMEs is presented in Chapter 3 and with refinements and revisions in Chapter 6. This research is grounded on the existing

work in the field of organisational change, and attempts to depict the process in the current environmental context for SMEs.

The sections that follow provide justification for the research, the statement of the research problem and the research questions, and the structure of the study as well as a brief overview of the methodology employed.

1.2 Justification for the Research and Problem Statement

Undertaking this research has been justified on the basis of the identification of the theoretical gap of organisational change in SMEs, the expected future economic importance of SMEs and the potential value to both participating and non-participating SMEs. Elaboration on these points has been provided in the subsequent paragraphs.

There is a gap in the theory relating to organisational change in SMEs. Globalisation and the pace of economic change are forces that are driving the need for greater understanding of organisational change (Burke 2002). This, combined with the fact that most models have emerged from studies in the large business environment and the applicability of these models to SMEs has been neglected (McAdam 2000).

There are high expectations for growth and performance of SMEs in the economic growth and development plans for Asia Pacific, Canada, British Columbia and the Okanagan region (Asia Pacific Economic Cooperation 2002, Canadian Federation of Independent Business et al, 2002, and Economic Development Commission 2002). In order to survive and grow, SMEs need to be able to change and adapt as internal and external challenges arise. Improved understanding of organisational change in SMEs will help them to meet these performance expectations.

Over the last decade the national economy of Canada has been affected by major structural changes, including the North American Free Trade Agreement

(NAFTA), Government deregulation of the transportation, communications and financial sectors, and the arrival of the large retailers (the 'big box' stores) from the United States (Kwan 2002). These structural changes are pervasive to the extent that organisational change has become a fact of life for all Canadian companies.

The results of this research have the potential to provide understanding on how SMEs use organisational change to cope with their changing environment and to encourage the survival and growth of SMEs in the RDCO. The results may also be of value in informing government policy as the various levels of policy makers move to assist SMEs to achieve their potential in the economic arena. The research is also expected to raise awareness of successful change practices for the SMEs participating in the research.

This study will focus on organisational change in Canadian SMEs, and more specifically, it will address the extent and nature of organisational change in SMEs in the Regional District of the Central Okanagan (RDCO). To this end, the **research objective** of this study is:

**To examine the nature of organisational change experienced by
Small and Medium Enterprises (SMEs) in the Regional District
of the Central Okanagan (RDCO)**

In addition, the following research questions have been formulated to examine the research objective:

- **RQ 1 - How prevalent are organisational change practices in the RDCO?**
- **RQ 2 - What types of strategic change are reconfiguring SMEs in the RDCO?**
- **RQ 3 - What external and internal factors influence organisational change in SMEs in the RDCO?**

- **RQ 4 - What changes have occurred in the work force in the RDCO?**
- **RQ 5 a. What objectives were pursued with the introduction of strategic changes?**
- **RQ 5 b. To what extent were the objectives achieved?**
- **RQ 6 What is the impact of certain demographic variables on the prevalence of organisational change practices, strategic changes and changes to the work force – organisational size, presence of a manager with responsibility for human resources, and existence of a strategic plan and/or business plan?**
- **RQ 7 - Is the current situation of SMEs in the RDCO conducive to meeting the economic expectations being placed on them?**
- **RQ 8 - Is the proposed conceptual framework of organisational Change in SMEs appropriate to SMEs in the RDCO?**

1.3 Brief Overview of Methodology

The combination of quantitative and qualitative research methods to obtain answers to research questions has been recommended (Gable 1994) to take advantage of the strengths of the two different methodologies. The combination allows for the condensing of data to provide the overview using a quantitative method, and the enhancement of data that can be achieved by employing a qualitative method (Ragin as cited in McPhail & Perry, 2002). In this research project, the questionnaire was used to determine the frequency, cause and nature of organisational change and the qualitative, in-depth interview were used to enhance the data, with the focus group being relied upon to validate the components of the proposed new model. Dynamic and context-specific processes and changes are captured more successfully in qualitative methodology (Anderson & Boocock 2002). Further, qualitative research can be relied upon to provide contextual information, rich insight into human behaviour, and has the potential to uncover the insider or emic view (Guba & Lincoln 1994). This helps to address the specifics of the SME situation, provide insight into the behaviour of the humans that make up organisations, and to provide descriptive context for the

research results.

Therefore both quantitative and qualitative methodologies were utilised within the constructive realism research paradigm and using an ex post facto research design (Chapter 4). The combined methodology provides an appropriate match to the complexity of the SME research environment and the involvement of humans in the organisational context (Curran & Blackburn 2001; Gable 1994; Guba & Lincoln 1994; McPhail & Perry 2002).

The current situation in SMEs relating to demographics, strategic changes and the prevalence of organisational change practices was investigated utilising the questionnaire. Some of the interesting themes arising out of the additional comments provided by respondents to the survey were further investigated in the in-depth interviews. As well, these interviews were used to determine the emic view on the ability of SMEs to meet their economic expectations. The relevance of the existing models of change and the applicability of the proposed new model of organisational change were addressed and validated using focus group methodology.

A combination of quantitative and qualitative methods in a three phase process was therefore employed to address the research objective and to provide greater understanding of organisational change in small and medium enterprises.

1.4 Delimitations of Scope and Key Assumptions

There are a number of limitations embedded in the nature and scope of this study. Because the study involved SMEs in a specified geographical region, the results only reflect what was happening in that region within a specific timeframe and cannot be generalised to apply in a larger context. Further, since the findings from the survey were derived from voluntary completion of a questionnaire, and the interviews were undertaken with SMEs that volunteered for further participation, it is possible that self-selection bias may have occurred in that only

those organisations viewing themselves as successfully adapting to change chose to participate.

The methodology itself has some inherent limitations. A questionnaire does not give respondents the ability to offer explanation or clarification to their answers, (McDonald & Weisner, 1997). However, the second phase of data collection involving interviews was designed to gather more detail and explanation of some of the dynamics of organisational change that could not be gathered by the questionnaire.

Research results derived from interviews are very subject to the level of personal skills and the ability of the interviewer to develop truly open ended questions (Patton 2002, Zikmund 2000). Analysis and interpretation of the results need to be undertaken very carefully to ensure that interpreter bias is eliminated. Therefore, for the purpose of this research, interviews were taped rather than rely solely on note-taking plus systematic content analysis was utilised to ensure inclusion of all topics and themes (Patton 2002, Zikmund 2000). Peers and supervisors were consulted prior to commencement of the interviews and the technique was based on the principles outlined by Perry & McPhail 2002, taking care not to evaluate comments or introduce ideas but being an active listener, confirming understanding and following up on areas of interest.

1.5 Structure of the Study

Two literature review chapters are presented to provide the theoretical context for the research questions examined in this study, one relating to SMEs (Chapter 2) and one relating to Organisational Change (Chapter 3). Great expectations are being placed on SMEs as drivers of economic growth and creators of employment opportunities in Europe, Asia-Pacific, and North America. At the same time, the external environment is changing rapidly, and organisations need to be able to adjust and adapt in order to survive and grow.

The importance of a model has been emphasised as a tool to understand a complex reality (Burke 2002) and yet existing organisational change models have been developed in relation to large, private sector organisations, mostly ignoring the unique characteristics of SMEs. This fact, combined with the lack of emphasis on the study of organisational change and SMEs, has led to the development of the proposed new model. The model attempts to depict the process of organisational Change in SMEs. Therefore, it incorporates the multiple forces for change that SMEs must face in the current environment, and acknowledges the unique characteristics of SMEs in relation to resources, markets, flexibility, leadership and structure. It relies heavily on the foundation of the work of Cummings and Worley (2001) with regard to the categorization of the tools of change.

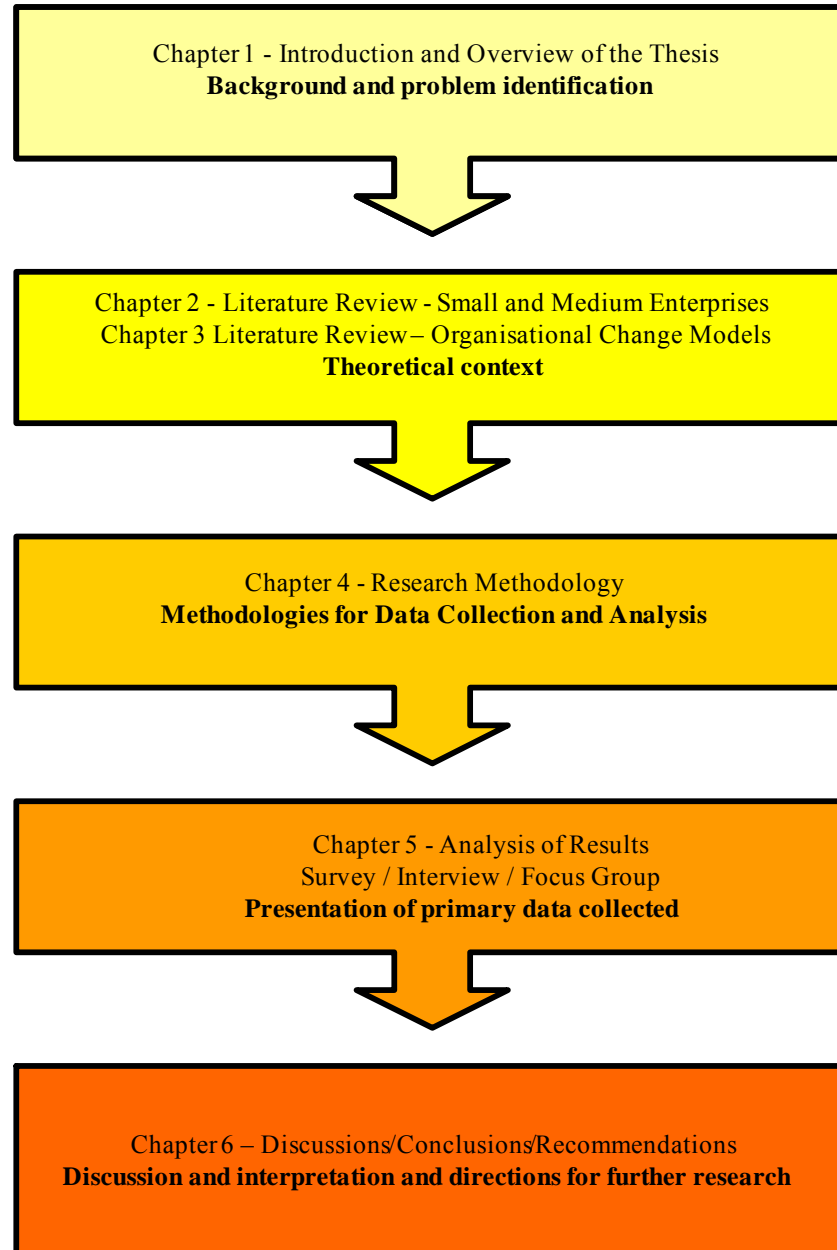
An enigma arising out of the literature review is the gap between perceived importance and actual implementation of organisational change initiatives and detailed discussion of this situation has been included in Chapter 3.

The research questions were approached from two directions and Chapter 4 provides complete details on the research methodology. In the first instance, a survey of all SMEs in the RDCO was undertaken to gain understanding of the scope and pace of change. Secondly, eight to ten in-depth interviews were undertaken with organisations that volunteered for further participation and that reflect the industry demographic of the region. Analysis of the data from the survey has been provided in Chapter 5, uncovering the relationships between demographic characteristics and change practices. Qualitative analysis of the transcribed interviews, the results of the content analysis and the themes which emerged are also presented in Chapter 5 and the proposed new change model has been initially presented in Chapter 3 and again in Chapter 6 as revised and refined by the primary research.

Finally, the proposed new model of organisational change in SMEs has been validated with focus group primary research methodology. These results are also

presented in Chapter 5. Chapter 6 presents discussions and conclusions relative to the findings and identifies directions for future research. Figure 1.1 below outlines the stages of the research and the relationship to the individual chapters.

Figure 1.1 Outline of the Study



1.6 Summary

This chapter introduced the vital role that SMEs are anticipated to play in future regional economic prosperity and the concept of their different characteristics

compared to larger enterprises. Because of these unique characteristics they also process organisational change in unique ways.

The research questions explored in the study have also been introduced in this chapter along with a brief overview of the research methodology. The major objective of the research was to understand organisational change in Small and Medium Enterprises (SMEs), specifically those located in the Regional District of the Central Okanagan (RDCO).

It is anticipated that the proposed new model of organisational Change in SMEs can be of benefit to SMEs as they face the various forces of change and reach for appropriate tools to enable them to survive and prosper. The value of this model should be to bring some understanding to the process of change and the realization that the pressures from increased competition, the regulatory environment, technological changes, customers and suppliers are going to present an ongoing challenge. Rather than being taken by surprise with yet another need for change, the model should assist SMEs to understand the relentless nature of the forces for change, the tools available to cope and adjust to the changes and to equip them to face yet another round of changes. Since a model should help to understand the process that it purports to model (Burke 2002), it is proposed that this model has the potential to assist SMEs in understanding the forces for change, and the interaction of their unique organisational dynamics to help them change in ways that enhance performance and enable growth.

The potential limitations inherent in the study were briefly reviewed and finally the structure of the research and a chapter outline were presented in Figure 1.1.

To provide the theoretical background to this research, the appropriate literature is

reviewed in the next two chapters. The next chapter reviews Small and Medium Enterprises (SMEs) with their perceived future importance and their unique characteristics.

CHAPTER TWO - LITERATURE REVIEW: SMALL AND MEDIUM ENTERPRISES (SMEs)

2.1 Introduction

The increasing importance of Small and Medium Enterprises (SMEs) has been acknowledged as a global phenomenon brought about by market forces, technological advances, personal career aspirations and the underlying demographic changes of the population (Canadian Federation of Independent Business, Canadian Manufacturers and Exporters & RBC Financial Group 2002, Curran & Blackburn 2001). In the international arena, the development and strengthening of SMEs is a priority area for the Asia Pacific Economic Cooperation (APEC) organization due to the significant potential that SMEs hold for future economic growth (Asia Pacific Economic Cooperation 2002). SMEs have also been identified as key to the economic future in the United Kingdom (UK) for a number of reasons including the fact that SMEs are very active in knowledge based sectors such as the high technology sector, business and consultancy services and other areas where economic development comes from brain power and creativity, not sheer size (Curran & Blackburn 2001).

For Canada, the SME sector currently creates employment and investment opportunities and has the potential to make an increasing contribution to the economic health of the nation (Canadian Federation of Independent Business et al. 2002). The current Canadian economic and political environment stimulates small business creation, but could be more conducive to the growth of SMEs (Canadian Federation of Independent Business et al. 2002). From a regional perspective, SMEs are expected to play an increasingly dominant role in the economy of the Regional District of Central Okanagan (RDCO) (Economic Development Commission 2002).

There is a lack of studies on SMEs, despite the current and anticipated future market challenges that they will face (Curran & Blackburn 2001, McAdam 2002)

and the importance that has been placed on their role in economic development (Canadian Federation of Independent Business et al. 2002). SMEs are expected to not only survive, but to grow and contribute to the economies of the RDCO, the Province of British Columbia, the Canadian nation and Asia Pacific as a whole but very little attention has been given to their ability to meet these expectations, including their ability to implement organisational change.

This chapter provides the regional context of the research, reviews extant definitions of SMEs and provides the rationale for utilising the 20 to 200 employee size as appropriate for this study and identifies and describes the unique characteristics of SMEs.

2.2 Context of the Research

2.2.1 The Canadian and Regional Context

Canada is one of the eighteen member nations of APEC and the region known as the RDCO is located in the interior of British Columbia (BC). The region depends upon SMEs to play a significant role in its economy. SMEs are responsible for 50% of employment in Canada (Business Development Bank of Canada 2002) and 58% of private sector employment is in the small business sector of the economy within BC. SMEs produce 28% of the provincial Gross Domestic Product (GDP) and, more specifically, in the Thompson/Okanagan region, where 12% of the provincial population resides, there is an even greater reliance on the sector as small business accounts for 13% of employment, (Western Economic Diversification Canada 2002).

Kelowna is the commercial centre of the region (Economic Development Commission of the Central Okanagan, 2002) and has a population of approximately 155,000 and an active labour force of approximately 71,500. Thirty percent of the labour force is engaged in the service sector. It takes approximately two hours by road to reach the United States (US) border and the world's largest economy. This means that the province of British Columbia is

always very subject to influences from the giant neighbour to the south. For the past two decades Canadian living standards have not kept pace with those of the US (Canadian Federation of Independent Business et al. 2002) and this is a major concern as it draws skilled workers and investment away from Canada.

SMEs make a significant contribution to the economy of the RDCO with approximately 800 of the 6,800 businesses in the area employing between 20 and 200 employees. This can be seen from the following table showing the economic structure of the region.

Table 2.1 Structure of the Economy in the Central Okanagan

<u>Number of Firms</u>	<u>Number of Employees</u>	<u>Percentage</u>
20	More than 200	0.30%
788	20-200	11.70%
5927	Less than 20	88.00%
6735	Totals	100.00%

(Source: Prepared from data available from the Economic Development Commission of the Central Okanagan, 2002)

A variety of defining characteristics for SMEs are utilised for various purposes and there is no single accepted definition. The next section provides a review of these definitions and a rationale for the acceptance of the 20 to 200 employee size for the purposes of this research.

2.2.2 Defining SMEs

Prior to adopting the definition of SMEs as engaging between 20 and 200 employees, McDonald & Wiesner (1997) reviewed many other studies which had variously used employee numbers, type of ownership, degree of independence, nature of managerial processes, use of business planning, turnover rates and value of assets as the defining variable. They reported that size, as determined by the number of employees in the organization, is the most frequently used defining element. However, there is no universal agreement on what size of firm fits the category of the SME. The following table presents a sample of firm sizes that

have been used by various researchers.

Table 2.2 Number of Employees used for SME Category

Source	Employee Numbers
Canadian Federation of Independent Business et al (2002)	Up to 250 Employees
Economic Development Commission of Central Okanagan (1998)	20-200 Employees
European Union (Curran and Blackburn 2001)	Micro – less than 10 Small – 10 to 49 Medium – 50 to 249 All three combined – SMEs
Kwan, J. (2002)	Small 1-100 employees, Medium 101-500, Large over 500
McDonald J. & Wiesner R. (1996)	20-200 Employees
Western Economic Diversification Canada, et al. (2002)	Up to 50 Employees

(Source: Developed for this Research)

In selecting a size category for the purpose of this research, there are two major influences. The first is that the Economic Development Commission of the Central Okanagan has used the range of between 20 and 200 to present the economic data for the region. Since this region is the relevant geographical context for the research, it is considered very appropriate for the application of benefit from the research and consideration of the findings. Secondly, the work of McDonald & Wiesner (1997) used these same parameters and adopting this size selection has the potential to create the opportunity for future comparative international research on SMEs. They based their decision on two premises. Firstly, organisations with more than 20 employees were more likely to have a more formal management structure thus providing an appropriate lower limit. Their upper limit was determined with deference to the Australian Bureau of Statistics which defines small as organisations with 100 or fewer and medium enterprises as those having 101 to 200 employees this was used in setting an upper limit for the definition.

Further, because one of the challenges identified in ‘The Path to Prosperity’ report (Canadian Federation of Independent Business et al. 2002) was for SMEs to grow in terms of employee numbers, this research will focus on the elements of

effective organisational change to achieve that objective. Firms with fewer than 20 employees may still not have grown beyond the start up problems such as cash flow, capitalization, or capturing market share and it is not considered appropriate to mingle the challenges associated with commencement of operations with the issues relating to growth and organisational change.

Therefore, the working definition of SMEs for this research initiative will be firms employing between 20 and 200 workers.

2.2.3 Economic Opportunity

While SMEs play a dominant role in the Canadian economy, and the conditions that foster small business creation are likely to continue, strong future growth of existing SMEs will provide jobs and investment opportunities. These factors of employment creation and investment opportunities are essential elements of a vibrant economy. The challenge identified for the Canadian economy is how to provide a public and private policy environment that would allow SMEs to achieve their full potential (Canadian Federation of Independent Business et al. 2002). SMEs are expected to not only survive, but to grow and contribute to overall economic growth yet very little attention has been given to their ability to implement organisational change. By expanding the capacity of SMEs to successfully negotiate the challenges of their specific environmental context, they should have an enhanced opportunity for viability and growth. The next section reviews the current economic situation in Canada relevant to survival and growth of SMEs.

2.3 SMEs National and Regional Context

A new emphasis is being placed on the important potential of SMEs to deliver employment and investment opportunities and pertinent information in relation to this emphasis is now presented.

2.3.1 Current Canadian Situation

The challenges faced by SMEs in Canada present significant barriers to achieving

the national economic agenda of increased productivity, profitability and growth. Three aspects of this are considered in the recent report entitled 'The Path to Prosperity: Canada's Small and Medium-sized Enterprises' (Canadian Federation of Independent Business et al. 2002). The first is the role of public policy to remove inter-provincial barriers to the movement of goods and services and to simplify tax policy. This would create a more rewarding and less obstructive environment. Secondly, the entrepreneurs and managers of SMEs are encouraged to invest in productive capital, adopt new technology and explore export opportunities. The third aspect is access to capital for SMEs. Financial institutions are encouraged to become more attuned to the needs of SMEs and have more flexible programs to assist them in coping with the challenges of growth (Canadian Federation of Independent Business et al. 2002). An opportunity for Canada to enhance its productivity and standard of living by focusing on ways to help SMEs grow productively was identified in this report (Canadian Federation of Independent Business et al. 2002).

Over the last decade, most job creation is attributed to growth in the SME sector (Canadian Federation of Independent Business et al. 2002). The same is true for the RDCO as evidenced by the fact that in recent years, new incorporations far exceed bankruptcies. In 1998 there were 662 new incorporations and only 30 business bankruptcies in the RDCO (Economic Development Commission 2002). Canada has the potential to maximize employment and economic growth by fostering growth of SMEs. This growth can be facilitated by regional, provincial and federal governments addressing the regulatory framework for business, the public policy issues of inter-provincial barriers and taxation, and by the private policy makers, such as financial institutions, by improving access to venture capital and management know-how. The Bank of Canada report (Kwan 2002) states that the Canadian environment is suitable for the creation of small business, but falls short in the creation of an environment that promotes business growth.

The fact that Canada has a larger proportion of micro-businesses than the United States means that it has the opportunity to capitalize on a competitive advantage if

the right environment for business growth is created. This would enable Canada to address the productivity and standard of living gaps that exist in comparison with the United States. Canadian incomes represent a falling percentage of those of the United States. Using the measure of real personal disposable income (RPDI) as an indicator of living standards, the income for Canadians has declined to approximately 65% compared with the United States, (in 1980 RPDI for Canada was at approximately 82% and in 1990 it measured approximately 73% compared with that of the United States) (Canadian Federation of Independent Business et al. 2002).

Major structural changes that have affected the Canadian economy in recent years include the proliferation of free trade agreements, industry deregulation, retail market competition, and technological advances with associated price declines (Canadian Federation of Independent Business et al. 2002; Kwan 2002). These major economic shifts provide new challenges for SMEs. The unanswered question is will they be able to successfully adjust to the changing business environment and grow in terms of their capacity to generate employment? Increased employment numbers are used as one measure for growth of SMEs for fulfilling the expectations of their contribution to the national and regional economies (Canadian Federation of Independent Business et al. 2002; Kwan 2002). While employment numbers in total relate to the SME sector, increases can be achieved both by the entry of new SMEs and growth in employee numbers of existing SMEs. Since Canada has fewer firms than the USA in the medium category, the growth potential within firms is considered to present an opportunity for Canada to build employment and investment opportunity and economic capacity. The problem is not with the number of start-ups but with the numbers of firms that grow into the 20 to 200 employee size categories from the firms that do start up. Enhancing the opportunity for growth would help Canada to capitalize on this missed opportunity.

2.3.2 SMEs and Regional Context

Undertaking research with a regional focus has the potential to be most beneficial

to a particular region (Cecora 2000; Nauwelaers & Wintjes 2002; Todtling & Kaufmann 2001). The different capabilities, arising from different regional contexts, of SMEs to innovate was considered so relevant that a mix of private and public policy, tailored to the specific regional context was recommended (Nauwelaers & Wintjes 2002). Because of the variation in the structure of regional economies, the respective institutional settings such as universities and other research and training organisations, dominant industries and availability of services, it is not possible to define best practice in support of innovation for SMEs in total (Todtling 2001).

The social, cultural, economic and policy variables in the national, regional and local context are reported to have significant influence on company start-ups and economic growth (Cecora 2000). In a study of eleven European regions, the recommendation emerged that innovation policy should be designed to specifically accommodate regional differences (Cecora 2000). Therefore, because regional context is such a vital consideration for survival and growth of SMEs, this research will be undertaken in the regional context of the Central Okanagan.

2.3.3 Capacity Building and SMEs

Canada is not alone in its attempts to focus public policy initiatives on SMEs. A range of policy measures such as financial support, advisory services, education and training of entrepreneurs and establishing linkages to the social environment have been implemented in a number of countries (Parker 2002).

While the significance of SMEs to national economic growth and productivity is recognized, they have received very limited direct attention that would help them build efficiency and effectiveness. There is a lack of emphasis on SMEs in the organisational change and human resource management (HRM) literature (McDonald & Wiesner 1997; Hammond 2001). Various researchers report the distinct lack of studies on SMEs in general (Curran & Blackburn 2001; Wilson 2002) and, more specifically, their success in implementing the change initiative of Total Quality Management (TQM) (Mohd & Aspinwall 2001), their ability to

implement reengineering (McAdam 2000), their ability to innovate (Todtling & Kaufmann 2001), their effectiveness in new product development, (Huang et al. 2002), how they handle the practice of strategic management (Woods & Joyce 2003) and the relationship in SMEs between quality and innovation, (McAdam & Armstrong 2001). Curran and Blackburn (2001) identified the potential for small business research to have an increasing impact on public policy makers. Some prior research has focused on policy issues to promote growth and development of SMEs (Canadian Federation of Independent Business et al. 2002; Cecora 2000; Nauwelaers & Wintjes 2002; Parker 2002).

2.4 Unique Characteristics of SMEs

Since SMEs are not a similar but smaller version of large enterprises, this section presents five identified differentiating characteristics of SMEs – ways in which SMEs differ from large enterprises. These differentiating characteristics of SMEs in comparison to larger organisations are discussed below under the headings of Resources, Market, Flexibility, Leadership and Structure.

2.4.1 Resources

By their nature, SMEs have more limited human, material and financial resources (Mc Adam 2002; Vossen as cited in Huang et al. 2002) than larger businesses. With these more limited resources, it is more difficult to direct efforts to organisational change initiatives (McAdam 2002). SMEs focus on allocation of resources to achieve their maximum short-term advantage, which frequently leaves them to respond to external influences as they occur rather than taking a proactive approach.

Consequently this issue of limited resources means that SMEs face a major challenge in regard to innovation, which normally requires the directing of resources to research and development. Innovation is important to growth and viability and is cited as a practical instrument for achieving change (Wind & Main 1998).

Shortage of capital (financial resources) is also frequently cited as a barrier to innovation (Freel 2000). Yet the expected contribution of SMEs to innovation and the resultant economic growth is considerable (Freel 2000). With fewer resources, SMEs usually have less capacity to pursue innovative concepts. However they were found to innovate in quite different ways to larger firms (Huang et al. 2002; Todtling & Kaufmann 2001). Innovation is more likely to be incremental within SMEs and to occur in response to either customers or suppliers, rather than radical, as a result of a new product or process development (Todtling & Kaufmann 2001).

Successful implementation of advanced manufacturing technology is also encumbered by restricted financial resources and in-house expertise normally experienced by SMEs (MacDougall & Pike, 2004). Internal resource constraints are cited as one of the four barriers to exporting particularly relevant for SMEs, and one of the main reasons that firms stay with a domestic market strategy (the other three barriers are cited as export knowledge, procedural barriers and exogenous variables (Suarez-Ortega, 2003)).

2.4.2 Market

SMEs have less market power than large organisations. Translated, this means that they are more subject to market changes (Todtling & Kaufman 2001; Raymond et al. 1998 as cited in McAdam 2002). In addition, Canada, as a whole, is a price taker, and not a price maker in both export and import markets because of the size of its economy (Kwan 2002). Consequently, SMEs in Canada are very subject to market fluctuations. The niche market that an SME is relying upon can suddenly be taken away by entry of a larger organization, or profitability can be eroded by downward pressure when they are a supplier to a larger firm.

SMEs are frequently dependent on a particular market segment, sometimes having only one or two large customers. Such a market can easily disappear with changes that affect those customers. Change in ownership, management decisions

of prime customers to manufacture components in-house rather than out-sourcing, financial difficulties, and design changes are just some of the factors that have the potential to remove large portions of revenues from SMEs.

International expansion offers an important way to access markets. Business networks were found to be a very important mechanism for success in a study on New Zealand SMEs and their internationalization process (Chetty & Campbell-Hunt 2003). In fact, the business networks proved to be crucial in overcoming the limited financial and human resources and limited international market knowledge that characterize SMEs (Chetty & Campbell-Hunt 2003). These authors identified the conduct of similar case study research in other countries, as an area for further research (Chetty & Campbell-Hunt 2003). In a study of the export barriers faced by SMEs, the firms' perception of the degree of difficulty embedded in the barrier was relational with their export involvement (Suarez-Ortega, 2004) and the report further identified opportunities to improve export promotion programs. After analysing 39 barriers to export development faced by small business (Leonidou, 2004), the adoption of a proactive perspective by small business owner/managers was recommended to overcome the difficulties faced in each situation. The unique characteristics relating to leadership and discussed in Section 2.4.4, should assist rather than hinder the implementation of this recommendation.

Sometimes a smaller organization can be more responsive than larger organisations and adapt to market changes as they occur (McAdam 2002; McDonald & Wiesner 1997). This is possible because SMEs normally have closer relationships with their market than large organisations. Both loyalty and geographic proximity can work in favour of the SME and they may have an advantage in being able to read the signs of change early (McAdam 2000). Early recognition and response to environmental change at the stage when it can be considered a challenge and not a crisis, is a key to long-run survival (de Geus 1999). Flexibility of SMEs is discussed further in the section below.

2.4.3 Flexibility

SMEs have a degree of flexibility that is frequently envied by larger enterprises, and many efforts have been made at emulation by the establishment of small business units within large organisations. The output of SMEs is more likely to be variable, high quality, and/or customized production and they normally have personal contact with other economic agents. This should allow them to get early warning signals on market changes (Cecora 2000).

The inherent flexibility arising from strong leadership, specialization levels and economic agent contact should assist SMEs in implementation of organisational change initiatives (McAdam 2002; McDonald & Wiesner 1997).

Further, it is this flexibility that should give SMEs an advantage in innovation. While large firms have been largely responsible for the fundamental inventions, SMEs are frequently responsible for the near-to-market developments (Freel 2000).

Flexibility of SMEs should give them an advantage in implementing logistics chain management (Gelinas & Bigras 2004). Yet in analysing the situation further, these authors concluded that some of the unique advantages enjoyed by SMEs may actually work against the implementation of integrated logistics chain management which has long-term efficiency as the objective, rather than the short-term effectiveness which SMEs meet so well.

2.4.4 Leadership

Leadership in SMEs is frequently dominant and centralized (Khan & Manopichetwattana 1989 and McAdam 2002). In the SME, the personal identity of the chief executive office and the firm's reputation are closely intertwined, as is business success and personal success. Three factors, personal reputation in the community, investment of personal assets and hands-on involvement in the business, increase the likelihood that the enterprising, innovative and independent leader of the SME is highly committed to adapting to the changing environment

(Cecora 2000). Visibility of the leader and day-to-day involvement in the operations of SMEs are potential advantages in implementation of change (McAdam 2000). The relationship between the personality of the business leader and organisational strategy and structure is found to be stronger in small firms than in larger firms (Miller & Toulouse 1986). Starting a small business involves making a commitment of resources to an idea by the owner for their future and this means there is a very strong connection between the individual and the small business (Fuller 2003). While this level of personal commitment aids survival in times of crises, it can actually inhibit growth when that growth requires a shift in the self-identity of the owner such as the hiring of professional management (Fuller 2003). For the SME to grow, the personal agenda and the organisational goals have to be aligned. The intention and ability of owner-managers needs to be consistent with opportunity in order to fulfil the growth expectations for small business (Morrison, Breen & Ali, 2003). Of the three factors (intention, ability and opportunity), two (intention and ability) relate directly to leadership characteristics.

Still there is an additional complexity to be considered in relation to leadership. A relatively high proportion of SMEs (up to 40% in the United Kingdom) has two or more owner-managers/partners/directors (Curran & Blackburn, 2001). As a consequence, interpersonal conflicts, in the absence of strong conflict resolution skills, can affect the business.

Lifestyle and independence are frequently key motivators of small business formation (Wilson 2002) and it may be that these same two factors serve to inhibit SMEs from taking on outside capital and expertise. This, in turn, may inhibit growth and growth potential.

A high level of leadership commitment to the change process is a key for implementation of effective organisational change (Bruce & Wyman 1998; Kotter 1996; Wacławski 2002; Want 1998). Strong leadership is an absolute necessity for change to occur (Burke, 2001) and in its absence, there can be very little

change (Shinn 2001). Astute leaders will be monitoring their environment including consideration of customers, capital markets, key supplies and suppliers, competitors, human resource practices, changing government regulations and technology (Burke 2002). The multi-tasking requirements of the leaders in operating SMEs, may overcome their capacity to maintain this watching brief.

An example of the strength of the leadership characteristic within SMEs is provided by the fact that the decision to export came primarily from CEOs in SMEs and the decision was also found to relate strongly to the evaluation of the external environment (Prefontaine & Bourgault 2002). A Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis identifies the Strengths and Weaknesses of an organization from an assessment of internal resources, and the Opportunities and Threats are assessed from the external environment in this strategic planning process (Thompson & Strickland 2001). Leaders that identified export as external opportunities were in fact applying the SWOT process from strategic planning as a tool for organisational change even if it was undertaken informally, and without consideration of the other components of a SWOT analysis, or in fact, without even knowing that the process had a name.

For the purpose of their research, Dunphy and Stace (1993) defined four styles of change leadership as Collaborative, Consultative, Directive and Coercive. Their research, based on successful organisational change in service firms, identified improved financial performance in cases where any one of the four styles was prevalent (Dunphy & Stace 1993). So with all of the variety of personality and leadership style that exists in SMEs, it is the strength of the leader, rather than the type of leader, that is the crucial element.

2.4.5 Structure

SMEs normally have less formal, flatter structures than larger enterprises. Many of the restructuring initiatives and re-organisations undertaken by larger firms have had flatter organisational structures as their objectives. Therefore with fewer levels of management, culture and communication are more easily facilitated.

The less formal, flatter structures more frequently found in SMEs should increase their opportunity to implement change (Francis & Macintosh 1997 as cited in McAdam; McDonald & Wiesner 1997). Yet in investigating implementation of ten management practices relevant to Just-in-Time (JIT) Manufacturing, differences between small and large firms were strongly co-related to firm size with large firms more likely to adopt the JIT practices (White, Pearson & Wilson 1999).

2.5 Ownership of SMEs

SMEs can be structured with the full range of ownership possibilities. They may be sole proprietorships, partnerships, private corporations or public corporations. The working definition of SMEs adopted for this research does not include an ownership structure parameter. The range of utilised structures is one more element that confirms the view expressed in Curran and Blackburn (2001) that the study of SMEs truly provides a rich and multi-disciplined context. Ownership has a significant influence on structure because a private or public corporation will be run by a Board of Directors, whereas a proprietorship will be dominated by a single person and a partnership will have at least two people sharing the executive role. The different reporting requirements implicated by the different forms of ownership also have an influence on structure and staffing. For example, a proprietorship with 50 employees may be able to function effectively with an in-house bookkeeper and outside accounting services. Whereas, a public corporation with the same number of employees, may need to have the services of a financial accountant available at all times. Ownership also has a substantial impact on the leadership issue as well, because it is the prime influence for the number of owner/managers that was identified as a complicating factor by Curran and Blackburn (2002).

2.6 Summary

The importance of the economic activity generated by SMEs was discussed in this

chapter and specifically related to the context of the geographic region in the Okanagan valley. The working definition of SMEs for the purpose of the research was accepted to be firms employing between 20 and 200 people after a review of the range of adopted definitions by various government agencies and other researchers.

Recent national research in Canada (Canadian Federation of Independent Businesses et al. 2002) drew attention to the opportunity for Canada to foster business growth since business start-ups are strong. Potential to build the economic capacity of SMEs was also reviewed. The importance of regional context was also covered. Five unique characteristics relating to SMEs are presented and discussed under the headings of resources, market, flexibility, leadership and structure. Finally the influence of ownership on organisational structure and leadership was also discussed.

From the review of literature relating to the importance of SMEs to economic growth and development and the current Canadian situation, this research into SMEs in the RDCO has important and promising dimensions. The consideration of specific environmental context, which is an important influence on SMEs, will be possible in a regional study. SMEs are complex organisations with their own unique characteristics, and consequently provide their own unique challenges to researchers.

A review of organisational change literature and models follows in the next chapter.

CHAPTER THREE – LITERATURE REVIEW: ORGANISATIONAL CHANGE (with particular reference to SMEs)

3.1 Introduction

The scope and pace of political, social and economic change in today's business world means that organisations must be able to adapt to the ever-changing environment to operate successfully (Want 1998; Yoram 1998; Burke 2002). Organisational change has become a fact of life for Canadian companies (Kwan 2000) as major structural changes have affected the Canadian economy over the last ten years including the North American Free Trade Agreement (NAFTA), deregulation in the transportation, communications and financial sectors, and the arrival of the large retailers (the 'big box' stores) from the United States (Kwan 2002). In order for organisations to thrive and prosper in the turbulent environment of today's business world, they must be able to successfully adjust to the new challenges that they face.

The overall purpose of this chapter is to review the literature on Organisational Change models, their value in the SME context, and how they depict the content and process of change. It includes a review of the development of organisational change models, the current state of the theoretical background and identifies the lack of emphasis on organisational change relative to SMEs specifically. The four main categories of organisational change interventions (human resource management, strategic, structural and human process) and examples of each type of change relative to SMEs are presented and discussed.

A research review and qualitative analysis of the organisational change models was undertaken to determine their applicability to SMEs based on the inclusion (implicit or explicit) or exclusion of the unique characteristics of SMEs that were described in the previous chapter. The review is not completely exhaustive however it does include most of the widely accepted models and those that have been developed by well-respected theorists. The analysis of these existing models

leads to the presentation of the new model of Organisational Change in SMEs in its preliminary form.

3.2 Development of Organisational Change Models

Theoretical models have emerged over the past fifty years in attempts to explain the process of change as it relates to organisations. Most of the related research has taken place in the large business environment. There is a need for greater understanding of organisational change, not just for SMEs but for all types of organisations, in today's rapidly changing environment (Burke 2002; Kotecki, 2004).

According to Burke (2002), there are five ways in which a model provides utility:

1. Data can be categorized into useful components
2. Models can enhance understanding
3. Models can aid in the interpretation of data
4. Models can provide a common, clear language with relevant terms
5. Models can provide guidance through the process of change

An organization model that provides a useful framework for categorizing the dimensions of an organization should enable planning, implementation and tracking of change to be more effective (Burke 2002).

The selected models will first be presented and summarized. Then they will be reviewed in relation to their applicability to SMEs taking into consideration the five unique characteristics of those organisations that are described in the previous chapter. Unless the models accommodate the characteristics of the SME, it will be difficult to harness the practical advantages of any model to provide the benefits to the SMEs situation.

3.2.1 Organisational Change Models

Models of organisational change have developed from the early work of Lewin (Aldag & Kuzuhara 2002; Cummings & Worley 1997; Senior 2002) through to contemporary models such as patching (Eisenhardt & Brown 1999) and soft systems (Senior 2002). Kurt Lewin was a social scientist interested in action research as a means of understanding the management of change. His work provided the fundamental three-stage model of unfreezing, changing and refreezing, which laid the foundation for the development of many subsequent models up until very recent times. The following table outlines the main features of ten organisational change models commencing with Lewin's Change Model (1) and then followed by six more models that build on the three basic stages while enhancing the steps in the process by providing more planning and implementation details. These models include the Action Research Model (2), the Contemporary Action Research Model (3), the General Model of Planned Change (4), Gardner's Action Training and Research model (5), the Burke-Litwin Model (6) and the Eight Stage Process by Kotter (7).

But organisational change is still considered to be far too complex and non-linear to be squeezed into these early models (Burke 2002). This ultimately leads to the development of a new theoretical emphasis that is represented by the last three models. These are the Dunphy Stace Contingency Model (8), Patching (9) and Soft Systems (10). These newer models, with their consideration of scale of change and learning organisations are more congruent with the current complexity and pace of change required by the contemporary business environment.

Table 3.1 Organisational Change Models

1. Lewin's Change Model	<p>Phase 1 Unfreezing – Create high-felt need for change and minimize resistance to change</p> <p>Phase 2 Moving – Change people, tasks and structure and encourage ongoing support</p> <p>Phase 3 Re-freezing – Reinforce the outcomes and make constructive modifications (Aldag & Kuzuhara, 2002; Cummings & Worley 2001; Senior 2002)</p>
2. Action Research Model	<p>Planned Change as a cyclical process – emphasizing research and diagnosis as the basis of action planning and implementation – eight steps:</p> <ol style="list-style-type: none"> 1. Problem Identification 2. Behavioural science consultation 3. Data gathering and diagnosis 4. Feedback to client 5. Joint diagnosis of problem 6. Joint action planning 7. Action 8. Diagnosis after action – and return to step 4 of the cycle (Cummings & Worley, 2001)
3. Contemporary Action Research	<p>Contemporary approach to planned change increasing member involvement in the change process and building on positive aspects of the organization. Six steps:</p> <ol style="list-style-type: none"> 1. Choose positive subjects 2. Collect positive stories with broad participation 3. Examine data and develop possibilities 4. Build a vision with broad participation 5. Develop action plans 6. Evaluate (and return to Step 5 as required) (Cummings & Worley, 2001)
4. General Model of Planned Change	<p>General framework for change adapted from Lewin, Action Research and Contemporary Action Research - Four Steps:</p> <ol style="list-style-type: none"> 1. Entering and Contracting 2. Diagnosing 3. Planning and Implementing Change 4. Evaluating and Institutionalizing Change (Cummings & Worley, 2001)
5. Gardner's Action Training and Research	<p>Development of the capacity for ongoing Organisational learning enables both reactive and proactive organisational change in a changing environment. Every member of the organization is both a trainer and a change agent. Two phases – strategic, decision-making research phase and change implementation action phase and based on the principle that organisations do not really change – the people in them do. (Note: Gardner's work was not published by him prior to his death) (Bruce & Wyman, 1998)</p>
6. Burke-Litwin Model (1992)	<p>A descriptive model, gives consideration to cause and effect, and incorporates the importance of external environment as input and individual and Organisational performance as output. Ten throughput dimensions are included – Mission and Strategy, Structure, Task Requirements and Skills / Abilities, Leadership, Management Practices, Work Unit Climate, Motivation, Organisational Culture, Systems and Individual Needs/Values (Burke 2002)</p>

7. Kotter –Eight Stage Process	<ol style="list-style-type: none"> 1. Establishing a Sense of Urgency 2. Creating the Guiding Coalition 3. Developing a Vision and Strategy 4. Communicating the Change Vision 5. Empowering Employees for Broad Based Action 6. Generating Short Term Wins 7. Consolidating Gains and Producing More Change 8. Anchoring New Approaches in the Culture (Kotter, 1996)
8. Dunphy-Stace Contingency Model	<p>A situational model based on the premise that the most appropriate response is the one best suited to the particular environment, based on two critical dimensions:</p> <p>Scale of Change – Fine Tuning, Incremental, Modular Transformation or Corporate Transformation</p> <p>Leadership Styles – Collaborative, Consultative, Directive or Coercive (Dunphy & Stace 1993)</p>
9. Patching	<p>The Strategic Process by which corporate executives routinely re-map businesses to changing market opportunities. It can take the form of adding, splitting, transferring, exiting, or combining chunks of businesses. Patching changes are small in scale and made frequently – think evolution, not revolution. (Eisenhardt & Brown, 1999)</p>
10. Soft Systems Models for Change	<p>The Organisational Development approach to change – acknowledges the present reality of the need for continuous change without time for the ‘refreezing’ of the new reality prior to embarking on more change. Also acknowledges the importance of people and embraces the concept of learning organisations (Senior 2002).</p>

(Source: Developed for this Research)

The work of Cummings and Worley (2001) shows how the Action Research (2) and the Contemporary Action Research (3) models fit the three-stage framework of the Lewin model (1). The development of their General Model for Change (4) is based on the integration of the principles derived from these three models (Cummings & Worley 2001). The descriptive model from Burke-Litwin (6) includes an input/output concept with the throughput components reflective of the step type continuum models. Neely Gardner with the Action Training and Research model (5) particularly emphasised the role of all members of the organization in the change process (Bruce & Wyman 1998) and included a series of stages. Kotter specifically described an Eight Stage Process (7).

The first seven models can all be described as sequential since they represent organisational change in a series of steps. Lewin’s Change Model (1) includes the classic three steps of unfreezing, changing and re-freezing; Action Research (2)

comprises eight steps including problem identification, data gathering, and client feedback; Contemporary Action Research (3) has six steps and an emphasis on the positive aspects of an organisation; the General Model for Planned Change (4) describes a four step process but actually combines some steps (for example, step three is planning and implementing change); Gardner's Action Training and Research (5) relies on two main phases – one for planning and one for action; and Kotter's Eight Stage Process (7) starts with the creation of a sense of urgency, relies on creation of short term wins and ends with anchoring the new approaches into organisational culture which is very similar to the re-freezing from Lewin's early model.

Burke (2002) acknowledges that the sequential models can be valuable tools for planning and managing a change effort but have their limitations because their linearity is not matched to the complex reality of organisational change. The Burke-Litwin model (6) was born out of both theory and practice in organisational change. The emphasis on the external environment was incorporated following their work in organisational change consulting (Burke 2002). Further, they emphasised the bilateral cause and effect linkages between all components of the model to more closely represent the reality of organisational change. Kotter's Eight Stage Process (7) includes consideration of communication, employee motivation and anchoring changes into the culture of the organisation. So while it includes eight stages and can therefore be classified overall as a step model, it reflects the complex reality of organisational change by including these other dimensions.

However, since the complex, non-sequential process of organisational change cannot be totally accurately represented in a series of simple linear steps (Burke 2002), the later models attempt a clearer representation of reality. The Dunphy-Stace contingency model for change (8) is based on the premise that different situations require different responses (Dunphy & Stace 1993). Two dimensions are considered critical – firstly, the scale of change required to synchronize the organization with its environment and secondly, the style of leadership necessary

for successful implementation of the change (Dunphy & Stace 1993). Stace (1996) further concluded that best practice in organisational change was eclectic, pragmatic and in tune with the organization's culture and environment. The scale of change was considered to range from small to large along a continuum (Dawson 2003).

The Patching Model (9) (Eisenhardt & Brown 1999) and the Soft Systems (10) (Senior 2002) represent a new focus in the development of change models away from linearity to complexity. This new focus incorporates the concepts of the learning organization (defined by Hodgetts & Luthans 1997 as an organization that is able to transform itself by anticipating change and discovering new ways of creating products and services) and organisational development (defined by Hodgetts & Luthans 1997 as the deliberate and reasoned introduction, establishment, reinforcement, and spread of change for the purpose of improving organisational effectiveness). Therefore these two newer models are more congruent with current theory. With the increasingly turbulent business and economic environment, there is just no time for the 'refreezing' stage of the Lewin Model (1) (Senior 2002) and its current validity is therefore questionable. The linearity inherent in the Lewin Model (1) is challenged further because all three activities may be occurring at the same time and there may be no time for refreezing before the requirement for another change (Styhre 2002). Organisations of today are unable to keep a level of stability for very long (Zeffane 1996). These linear models focus more on a planned approach to change, which is less likely to be appropriate to SMEs due to their unique characteristics including limited management resources.

Patching (9) (Eisenhardt & Brown 1999) involves continuous movement as frequent, routine and mostly small-scale changes are made to adjust to changing market opportunities. This allows for the scale of change considerations described in the Dunphy-Stace Contingency model (8). Eisenhardt and Brown (1999) contend that organisational response should be scaled, or sized, to the scope of the

change and may include anything from fine-tuning and adjusting to major structural change of the organisation.

Turbulent environmental factors are an underlying consideration of the Dunphy Stace Contingency Model (8), Patching (9) and Soft Systems models (10). Since SMEs always face a more turbulent environment because they exercise less economic power than large organisations, these three models have more potential to provide insight into organisational change in the SME situation. Integration of the concepts of non-linearity and complexity provide for the reality of the discontinuous, disruptive and emerging patterns of change in organisations (Styhre 2002). The newer Contingency (8), Patching (9) and Soft Systems (10) models are certainly more suited to the increased scope and pace of change faced by the SME in the current global market. The concept that the scale of change required is dependent on the particular situation (Dunphy & Stace 2003) is very relevant to SMEs and the current economic environment.

It should be noted that while Lewin's model has been criticized for its linearity, the work has also recently been defended as contextual and incorporating situational reaction through feedback to inform subsequent action (Rosch 2002) and therefore should not be disregarded as irrelevant to organisational change today.

The soft systems models (10) consider the politics and culture of organisations as well as the content and control of change (Senior 2002) they also have features that are applicable to a wider range of organisations. In fact the inclusion of organisational culture and the content and control of changes broadens the range of application for the models that include these components. Dawson (2003) writes that change is a complex and dynamic process and emphasises the political and contextual influences within organisations. Contextual influences are very relevant for SMEs since they are participating in virtually every sector of the economy and so change models that accommodate context are also more likely to be applicable. Additional secondary analysis of these models is presented in

Section 3.3 in relation to the unique characteristics of SMEs that were identified in Chapter 2.

The capacities of SMEs for incremental implementation of change, as well as their sensitivity to market changes, are discussed in the next sections.

3.2.2 Current Situation of Organisational Change Theory

Models that accommodate both the process (how to change) and the content (what to change) of organisational change are able to more closely model the reality of organisational change (Burke 2002). The reality of modern organisational change is far too complex and non-linear to be cast into a number of steps or limited to a set of principles. Dawson (2001) addresses the difficulty in conceptualizing organisational change and presents the definition of ‘new ways of organizing and working’ along with four critical dimensions of time, scale, political environment and substance. According to Burke (2002), there are eight areas in which we still need more understanding in the field of Organisational Change. They are the:

1. process of organisational change;
2. organisational change leadership;
3. organisational structure;
4. formal and informal rewards;
5. training and development;
6. teams and teamwork in organisations;
7. organisational size;
8. organisational performance.

Of these eight areas, the three relating to leadership, structure and organisational size link directly to the differentiating characteristics of SMEs. The rewards, training and development and teamwork issues relate to the human resource management practices of SMEs. The final area, of organisational performance, has become the focus for Canadian policy makers seeking to enhance the economic contributions of the SME sector.

Some research has been undertaken that considers SMEs and specific change initiatives. For example, articles have been published on the implementation of Total Quality Management (TQM) (Mohd & Aspinwall 2000), new product development process (NPDP) (Huang, Soutar & Brown 2002), human resource management strategies (Hammond 2001), re-engineering (McAdam 2000), quality and innovation (McAdam & Armstrong 2001), technological change (Raymond & Julien 1996) and internationalization (Anderson & Boocock 2002). However, all of these authors identified a lack of research in their specific areas of interest and many opportunities for future research. The process of organisational change in SMEs is barely considered at all and this is discussed in the following section.

3.2.3 Lack of Research on Organisational Change in SMEs

To a very large extent business improvement models and techniques, including those that relate to organisational change, and the related terminology and definitions, have originated in large private sector organisations but the applicability of these models to SMEs with their more limited resources has not been fully investigated (McAdam 2000). It is highly inadequate for researchers, and authors, to add the ‘somewhat hopeful postscript’ that the resource intensive change processes of large organisations can be applied to SMEs in a less formal manner (McAdam & Armstrong, 2001). Small business is not just a scaled down version of large business and, further, small should never be equated with simple (Curran & Blackburn, 2001). The differentiating characteristics of SMEs need to be considered in the context of organisational change.

In one of the few national studies of its kind, Wiesner and McDonald (2001) attempted to fill some of the gaps in the literature relating to HRM and organisational change in SMEs within Australia by describing a national profile of human resource management and organisational change in SMEs. It is clear that there is much more work to be done – regionally, nationally and internationally - to build understanding of SMEs and organisational change.

The next section presents the four categories of interventions for achieving

organisational change and provides examples from the literature that relate specifically to SMEs.

3.2.4 Organisational Change Interventions

Organisations are able to change and develop by utilising the intervention tools of human resource management, strategic planning, organisational structure and human processes (Cummings & Worley 2001). The existence therefore of a strategic plan, organisational structure and appropriate human resource practices and processes in SMEs will enable them to successfully change and adapt to their external environment. The following table presents the categories of interventions for achieving organisational change and relates them to the unique characteristics of SMEs and provides some examples of their utilization in SMEs from the literature.

Table 3.2 Interventions for Achieving Organisational Change

<u>Interventions</u>	<u>Relationship to Characteristics of SMEs</u>	<u>Examples from the Literature</u>
Human Resource Management Interventions Including: Goal Setting, Performance Appraisal, Reward Systems, Career Planning, and Employee Wellness (Cummings & Worley 2001).	Resources: Fewer numbers of employees can tolerate less structured human resource management systems but may fail to take advantage of them. Leadership: Operational involvement of owners/managers may preclude leadership development and delegation of responsibility to employees with management potential.	High performance work practices including training and development, superior compensation and benefit packages and selective staffing, were evident in successful small manufacturers; (Rowden 2002). Encouragement and management of change through effective teams using a creative, new HRM paradigm, for example, Fiat of Italy in 1980s (Zeffane 1996).
Strategic Interventions Including: Organisation and Environmental relationships, Strategic Planning, Strategic Partnerships and Alliances (Cummings & Worley 2001)	Resources: Increased access to resources by forming strategic alliances for bidding on special contracts, accessing operational expertise and/or capital equipment. Market: Strategic partnerships and alliances can enable SMEs to move vertically along the supply chain.	Innovation: Incremental in response to customers and suppliers (Todtling & Kaufman 2001). Internationalization: The decision to export comes primarily from CEOs in SMEs following assessment of external opportunities and threats (Prefontaine & Bourgault, 2002), and the importance of this strategic decision for SMEs (Gunasekaran et al 1996) Growth: SMEs with a growth orientation are more likely to attain growth (Wilson 2002) Improvements in Productivity and Quality: Alliances and networks to overcome SMEs limited resources to improve productivity and quality (Gunasekaran et al 1996)
Structural Interventions Including: Integrative and flexible Organisational structures, employee involvement and empowerment, and work design for employee fulfilment and productivity (Cummings & Worley 2001)	Structure: The less formal Organisational structure of SMEs should enhance the opportunity to implement structural interventions as management/employee communication is normally expected to be stronger. Flexibility: Contact with other economic agents by empowered employees will enhance the SMEs ability to respond to challenges. This will only be valid if the leadership style of the owner manager involves delegation and not only control.	Communication: Successful SMEs in manufacturing and processing demonstrated a collegial, relaxed communication style between managers and workers, along with continuous commitment to process and product improvement (Rowden 2002). Just-In-Time (JIT) Manufacturing: In investigating ten JIT management practices, a relationship between Organisational size and implementation was confirmed (White, Pearson & Wilson, 1999).
Human Process Interventions Including: interpersonal and group processes to improve work relationships (Cummings & Worley 2001)	Interpersonal and Group Processes: Improvement of work relationships and the ability of people to work together, frequently utilising the services of an outside consultant	Cummings and Worley (2001) provide examples from large businesses and no examples for SMEs were identified in the literature.

(Source: Developed for this Research)

Further discussion of the four categories is presented in the following sections. Human Resource Management Interventions are considered first.

3.2.4.1 Human Resource Management Interventions

Thompson and Strickland (2001) discuss seven human resource practices of successful organisations. They are:

- Employment Security
- Selective Hiring
- Self Managed Teams
- Comparatively High Compensation contingent on Organisational Performance
- Extensive Training
- Reduction of Status Differences
- Sharing Information

In fact, there is a large and growing body of knowledge asserting the positive organisational outcomes of these human resource management practices. Research results are showing that the progressive human resource management practices of selectivity in staffing, training and incentive compensation are positively related to measures of organisational performance (Delaney & Huselid 1996). In the study of critical success factors for small business, employee-relations factors, including training, involvement in decision making and a reward/discipline system demonstrated a positive co-relation to success in the service industry (Gadenne 1998).

Almost 80% of firms that placed value on their human resources when they moved from private to public ownership (evidenced by making an Initial Public Offering (IPO)), survived for five years compared with an average survival rate of 60% of firms (Welbourne and Andrews 1996). This is particularly relevant since IPO firms are normally seeking public financing to take advantage of identified

opportunities for growth and expansion and therefore has potential application for SMEs with a growth agenda.

The creation of a working environment that fulfils individual human, social and psychological needs allows organisations to reap the benefits of increased productivity, improved products and services quality (Rowden 2002). Human resource practices frequently used by successful small manufacturers include investment in training and development, compensation packages superior to the competition and contingent on organisational performance, empowerment practices including information sharing and involvement in problem solving plus selection practices that matched skills and development potential to the organisational needs and existing work ethic (Rowden 2002).

Managing people in ways that result in increased productivity, innovation and improved profits ultimately arises from the management perception that human resources are valuable strategic assets rather than costs that require monitoring and controlling (Thompson & Strickland 2001). Organisations that implement human resource practices that lead to innovation and employee commitment can be expected to achieve competitive advantage (Kontoghiorghes, 2003). Giving individuals the power to make decisions and contribute their ideas energizes them to improved performance and problem solving. The potential benefits of a full range of human resource practices are available to all types of SMEs.

Strategic interventions are considered in the next section.

3.2.4.2 Strategic Interventions

Survival and growth in SMEs is linked to their adoption of explicit strategic planning (Perren, Berry & Partridge 1999; Georgellis, Joyce & Woods 2000 as cited in Chan & Foster 2001). While strategic planning and implementation may be less formal in SMEs it plays no less vital role to achievement of organisational objectives. Benefits of undertaking strategic planning and the formulation of a vision include the communication of the future to all members of the organization

and the provision of the guiding criteria for leadership and decision-making throughout the organization (Thompson & Stickland 2001). The decision to enter the export market discussed in relation to the different leadership characteristics of SMEs (Prefontaine & Bourgault 2002) is an interesting example of SMEs using strategic planning as a tool for organisational change.

In the course of a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, financial management characteristics of SMEs should be identified as one of their internal strengths, not a weakness, in order for the firm to grow and succeed. This is particularly important when considered in conjunction with the frequently cited reason of cash flow problems as a reason for small business failure. Financial stress from overtrading, low liquidity and high gearing can prevent growth (and survival) of the SME and under-capitalization and inadequate financial and cash-flow systems are cited as impediments to SME growth (McMahon 2001).

Structural interventions are discussed in the next section.

3.2.4.3 Structural Interventions

The way that an organization is structured, particularly in regard to the opportunity for employees to be able to determine how their work is performed can improve firm performance (Delaney & Huselid, 1996). However, the full benefits of this can only be achieved where employment is secure as most employees are not highly motivated to work more efficiently if it is perceived that they may work themselves or their colleagues out of a job.

Human Process Interventions comprise the fourth category of interventions shown in Table 3.2 Interventions for Achieving Organisational Change and they are discussed in the next section.

3.2.4.4 Human Process Interventions

The fourth category of organisational change initiatives discussed by Cummings

and Worley (2001, pp. 216-277) is that of Human Process Interventions. These include interpersonal and group process approaches as well as organization process approaches. These interventions are directed to the improvement of work relationships and the ability of people to work together. This category of change initiatives mostly apply in the large organisational environment and all of the examples given are for large organisations. The description of the implementation process and the frequency of utilization of an outside consultant as a facilitator (Cummings & Worley 2001) is another indicator that these interventions will frequently be outside the realm of the smaller firms in the SME category due to more limited financial resources and/or lack of awareness of skilled interventionists.

Organisational change interventions have been discussed under the headings of human resource management interventions, strategic interventions, structural interventions and human process interventions - and examples given from the literature. Missing from the discussion however is the role of strategic human resource management. This is an important over-arching concept to achieve the strategic objectives of an organisation. In order to reach its goals effectively and efficiently, an organization needs to design and implement a set of internally consistent policies and practices that ensure that the human resource assets make the maximum contribution to organisational success (Huselid, Jackson & Schuler 1997).

The next section relates the organisational change models presented in Table 3.1 to the unique features of SMEs that were described in Chapter 2 to determine the potential applicability of the models to the SME situation.

3.3 Analysis of Organisational Change Models relative to SMEs

According to McAdam (2000), direct transference of organisational change strategies to SMEs is considered inappropriate. Similar conclusions were reached in regard to theory relating to new product development and innovation

management (Huang et al 2002), the implementation of quality initiatives (McAdam & Armstrong 2001), and organisational learning (Anderson & Boocock 2002). Further, there is no one best strategy for adoption of new technology in manufacturing SMEs (Raymond et al 1996) and the strategic planning process of SMEs is described as 'adaptive' (Jennings & Beaver 1997 as cited in McDonald and Wiesner 1997), which is differentiated from the predictive process of larger organisations. Curran & Blackburn (2001) support the notion that special research issues arise as a result of the special characteristics of SMEs and the fact that they are not just smaller versions of large organisations.

To be successful, all organisational change initiatives need a commitment of human and financial resources, market intelligence on product and service requirements, flexibility to adapt, leadership commitment and vision, and an organisational structure that facilitates communication and responsiveness (McAdam 2000). So for SMEs to successfully negotiate organisational change initiatives, they too, will need these capabilities and commitments.

The differentiating characteristics of SMEs in comparison to larger organisations were discussed in Chapter 2 under the headings of Resources, Market, Flexibility, Leadership and Structure (Section 2.4). The relationships of the five characteristics to organisational change models are now considered. Limited human, operational and financial resources certainly place a cap on the ability of SMEs to direct resources to change initiatives. They usually will not have an in-house team available to dedicate to an identified potential project or opportunity. The models of change that include consideration of environmental context will be most appropriate in relation to the process of change in SMEs because of the SMEs sensitivity to market changes. Leadership style was determined to be less important than leadership strength by Dunphy and Stace (1993). They reported in favour of circumstantial organisational development initiatives, which are more congruent with their contingency approach and the patching and soft systems approaches. With regard to structure, the relatively informal style and natural cross-functional work teams that exist in SMEs are something that larger

organisations are striving to achieve through organisational change initiatives. The emphasis that Senior (2002) places on the importance of people within the soft systems models accommodates the reality of the unique characteristics of SMEs in relation to structure. The way that SMEs innovate is consistent with the emerging definitions of change models, particularly in regard to the scale of change.

Understanding how organisations are changing is the role for the analytical theorists of organisational change (Dunphy 1996) and so understanding how SMEs change will also require an analytical approach. To assess the validity of an organisational change model to SMEs, it is important that the models under consideration allow for the five distinguishing characteristics discussed in Chapter 2. The table below has been prepared to indicate whether consideration for the five characteristics is explicit, implicit, or absent.

Table 3.3 Change Models Relative to SME Characteristics

Model	Resources	Market	Flexibility	Leadership	Structure
Lewin's Change Model	Implicit	Absent	Absent	Implicit	Explicit
Action Research Model	Implicit	Implicit	Absent	Implicit	Implicit
Contemporary Action Research	Absent	Explicit	Implicit	Implicit	Implicit
General Model of Planned Change	Implicit	Implicit	Absent	Implicit	Explicit
Gardner's Action Research	Implicit	Implicit	Explicit	Explicit	Implicit
Burke-Litwin Model	Absent	Explicit	Absent	Explicit	Explicit
Kotter's Eight Stage Process	Implicit	Implicit	Explicit	Implicit	Implicit
Dunphy-Stage Contingency Model	Implicit	Implicit	Explicit	Explicit	Explicit
Patching	Absent	Explicit	Explicit	Explicit	Explicit
Soft Systems Models	Implicit	Explicit	Explicit	Explicit	Explicit

(Source: Developed for this Research)

The models that explicitly cater for the differentiating characteristics of SMEs are expected to be more applicable and appropriate to the process of organisational change in the SME context. In fact, SMEs should have some natural advantages in implementing organisational change arising from leadership, flexibility and

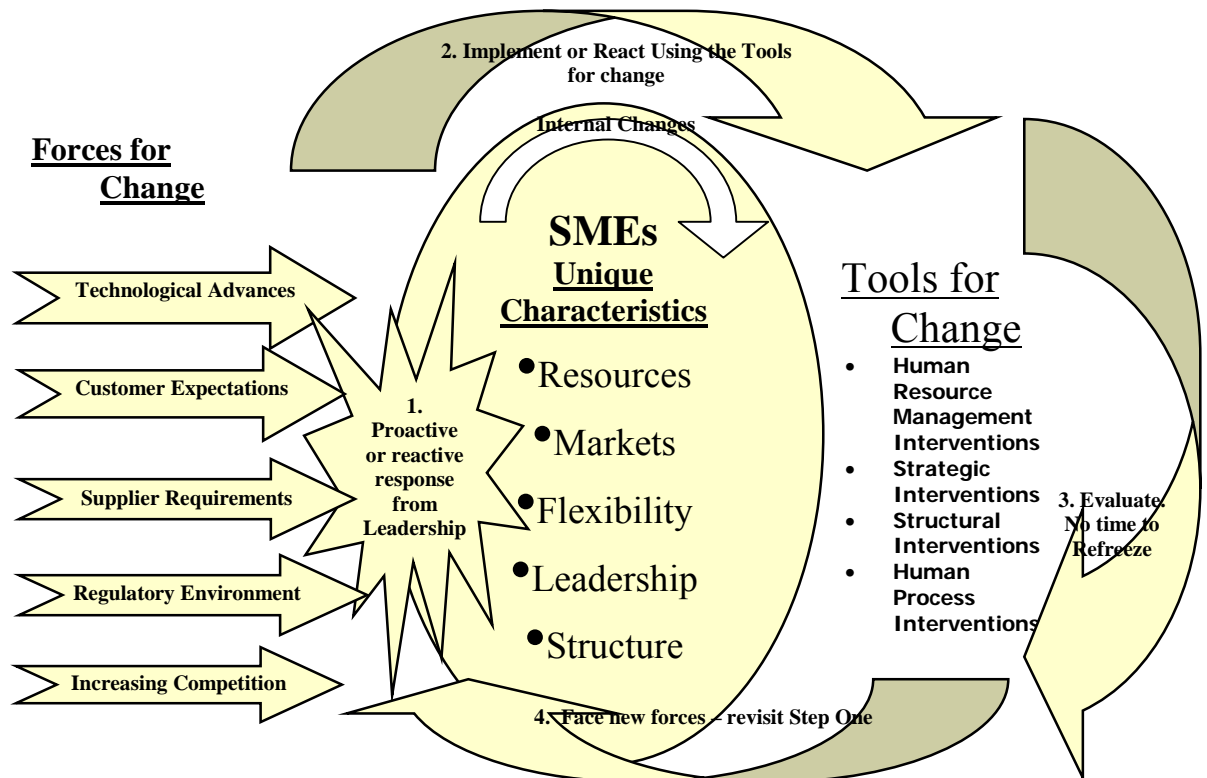
structure, albeit they face challenges in the areas of limited resources and market changes. Patching and the Soft Systems Models come the closest to accommodating them with market, flexibility, leadership and structure all explicitly considered. The Action Research model does not specifically accommodate any of the five unique characteristics but because it is very connected to the organisation, a skilled interventionist should be able to apply it to the individual organisational situation. Only one characteristic is accommodated in the models of Lewin (structure), Contemporary Action Research (market), General Model for Planned Change (structure) and Kotter's Eight Stage Process (flexibility) all explicitly accommodate only one characteristic while Gardner's Model accommodates two of them (flexibility and leadership). Three characteristics are explicitly accommodated in the models of Burke-Litwin (market, leadership and structure) and Dunphy Stace (flexibility, leadership and structure).

Zeffane (1996) called for new change designs and new tools to effect strategic change that would build on the strengths of the essential contributions of leadership and teamwork. However, SMEs were not discussed separately in his work. Again, in 2004, Easley and Alvarez-Pompilius, are calling for a new paradigm to address change as a new constant in organisations. Since none of the models analysed above explicitly cater to all five of the unique characteristics of the SME, a new model is proposed in the following section. Note that this is the preliminary version of the model. It is presented again in Chapter 6 (Figure 6.1) as refined and revised by the results from the primary research.

3.4 Proposed Model of Organisational Change in SMEs

The importance of a model is emphasised as a tool to understand a complex reality (Burke 2002) and combining this fact with the lack of emphasis on the study of organisational change and SMEs, has led to the development of the proposed new model for this research. This model attempts to depict the process of Organisational Change in SMEs. Therefore, it incorporates the multiple forces for

change that SMEs must face in the current environment, and acknowledges the unique characteristics of SMEs in relation to resources, markets, flexibility, leadership, and structure. It relies on the foundation of the work of Cummings and Worley (2001) with regard to the categorization of the tools of change. The preliminary version of the model is presented in Figure 3.1.



(Source: Developed for this Research – October 2003)

Figure 3.1 Organisational Change Model for SMEs (Preliminary)

3.4.1 Rationale for the Proposed Model

The Organisational Change Model for SMEs shown as Figure 3.1 is the preliminary version of the model based on the literature. Note that the information gathered in the primary research phase (survey, interviews and focus group) is used to refine the model and the revised version is presented in Chapter

6 (Figure 6.1). The underlying rationale for its development is presented in the following paragraphs.

Firstly, the forces for change are always present in the environment of SMEs and so they are shown, like prevailing winds or ‘winds of change’, as arrows coming towards the SME. Since the change process begins with the external environment (Burke 2002) the starting point for the model is the depiction of the external forces for change. Dawson (2001) discusses the ‘triggers to organisational change’ in two categories – external and internal. The external triggers include government regulations, globalisation of markets, political and social events, advances in technology and these are encompassed in the forces for change in the proposed new model. It is shown in a way to represent the constancy of change (Kotecki 2004).

The SME itself is represented as an ellipse because it is a less concrete, less structured entity than a box or a rectangle. The unique characteristics of SMEs are listed in the ellipse as a reminder that these differentiating characteristics must be accommodated in the change process. The ellipse for the SME is positioned to meet the forces for change, since they have no choice but to face the external environment (Curran & Blackburn 2001). Internal forces for change (Dawson, 2001) including internal demographic characteristics measured in this study such as organisational size, presence of a human resources manager and the existence of a strategic plan are depicted by the arrow within the ellipse of the SME. The only choice for leadership relates to the way in which they will face the changes – either proactively or reactively.

Leadership of the SME is able to plan for the change if they have been alert to the situation and have anticipated the need for change. Alternatively, the leadership will be called upon to react when the reality of the change strikes (see step 1 in the model). As a result of either proactive planning or a reactive behaviour, leadership reaches for the tools of change and selects one of them, or a combination of more than one, to adapt and adjust the organization to the current

force (see step 2 in the model). While it is possible that a leader will take no action at all to respond to the forces for change this is not shown because the purpose of the model is to assist SMEs in successfully negotiating organisational change. A lack of response to changed external conditions will not help the SME survive and grow. The conclusion that different changes require different responses to achieve effective organisational change incorporated in the Contingency Model (Dunphy & Stace, 1993) is accommodated in this way. The tools for change implementation are categorized according to the work of Cummings and Worley (2001): Human Resource Management Interventions, Strategic Interventions, Structural Interventions and Human Process Interventions. SMEs use these tools whether or not they are aware of this categorization. Leadership of the SME will not always be aware of the full range of the interventions for achieving change either but will attempt to select a tool that is considered to have a reasonable chance of achieving the desired change.

After the implementation of the selected tools for change, the SME changes to a different form. Evaluation and feedback (see step 3 in model) is probably less formal and systematic, and more informal and personal in most change situations, than many theorists prescribe (Skinner 2004) and certainly in the SME situation, it is even more likely to be so, due to the leadership and flexibility features discussed above and shown inside the ellipse representing the SME. The ellipse representing the SME may get smaller or larger as a result of the organisational change process, or it may no longer be a perfect ellipse. For example, as a result of a change, an organisation may have less employees (be smaller), have more employees (be larger), or change to sub-contracting rather than direct employment for human resource requirements (have changed its shape). Once the change has occurred, the organization will have morphed to a new shape and may never return to its previous configuration. There is really no time to re-freeze (Senior 2002; Styhre 2002) as the changed SME is continuing to face either new or renewed forces for change and leadership is again called upon to either implement a plan or react to the situation (see step 4 in model). The circular flow shown in the model is to represent the continual process for change. While numbers have

been assigned to stages in the process to assist the reader, the process is deliberately not depicted as a continuum. Various events may be causing changes to occur simultaneously. For example, a technology driven change may just be requiring a response from leadership at the same time a competitive forces change is being evaluated for effectiveness.

The proposed model is consistent with the newer soft systems for change and the patching theory, both of which incorporate adjusting and changing as required for survival and viability. Patching is a process of continually shifting the organisation to match market opportunities considered particularly important in turbulent markets (Eisenhardt & Brown 1999). In fact it is the embodiment of 'think evolution, not revolution' (Eisenhardt & Brown 1999 p. 74) and continuous, not discontinuous, learning and change, characteristic of the learning organization. Patching involves frequent, routine and mostly small scale changes that realign the business continuously. The constant series of changes in patching precludes any time for the re-freezing stage included in Lewin's early model and the expanded step versions that followed. Patching is recommended as the best way to align business organisations with market opportunities and is considered to be an important skill for managers in dynamic markets (Eisenhardt & Brown 1999). Because of these features, patching is particularly relevant to SMEs as it deals explicitly with markets (SMEs are more vulnerable to their markets), flexibility (the adding, reducing, combining of business units), a hands-on role for leadership and outdateding of the organisational chart very quickly.

The soft systems approach to organisational change incorporates the concepts of organisational learning and acknowledges the importance of human resources in organisational change (Senior 2002). It views change as a process which is continually present without time for re-freezing (Senior 2002) and this is consistent with the environment of the SME. The external environment of SMEs is very influential in their success or failure and further, due to the pace of changes in their economic situation SMEs also face a continual need to change. Both patching and soft systems explicitly deal with markets, flexibility, leadership and

structure (Table 3.3) and since these are four of the five identified unique features of SMEs, these two models are more suitable than most to apply in the SME situation. However, neither of these models deals directly with resource constraints (Table 3.3.) that are a characteristic of SMEs and therefore neither model can really be considered to be a perfect fit to SMEs.

The observed reality of evaluation and feedback as being more personal and informal in SMEs (Skinner 2004) rather than systematic and formal is accommodated in the proposed new model – feedback can occur at any time and inform the process as it is implemented. The new model is also consistent with the discussion by Burke (2002) in regard to the metaphor likening an organization to a living organism – growing and changing and is also consistent with the open-system concept and inter-relationship with the external environment. The new view that organisational change is an ongoing complex process, (Dawson 2001; Kotecki 2004), and not a series of linear steps is also accommodated within the model with its circular and continual flow representation.

Having developed the proposed model, it is now tested against some practical examples of SMEs undertaking organisational changes. The discussion follows in the next section.

3.4.2 Practical Applications of the Proposed Model

To illustrate the application of the model, the following real examples are drawn from the researcher's personal experience with SMEs. The purpose of these examples is to demonstrate that the reality of the organisational change process is accommodated in the proposed Organisational Change Model for SMEs.

1. **Technological Advances:** When the Government of Canada adopted an electronic request system for contract bid document distribution, a general contractor who had resisted the move to any type of E-commerce, changed to ensure continued access to government contracts. In the model, this force for change would be included in 'Technological Changes'. As a result, Leadership bursts into action, and acquires the necessary technical

equipment and internet access. A business process was established by adding a task to the receptionist's job description, to keep informed of potential work and to request drawings for bidding purposes. The firm is changed – it will never again return to its previous configuration, but it certainly has to continue to face the winds of change.

2. **Customer Expectations:** A retail travel agency is expected to have in-house, airline ticketing capacity by its customers, but as a newly established business, does not have the years of experience required for licensing by the International Air Traffic Association (IATA). Facing the 'Customer Expectations' force, the leader adopts one of the Human Resource Management tools, undertakes some strategic hiring, and acquires the necessary experience. Once again, the process has patched and changed the organization, and it has moved to a new level and will never revert to its former configuration. However, the travel industry is continuing to face major structural and market changes, and the firm must continue to address the impact of the forces for change to survive and grow.
3. **Suppliers Expectations:** When the secure document delivery services moved to websites for document pickup requests and package tracking, SMEs of all kinds were morphed into a new configuration. The 'Suppliers Expectations' that all firms requiring their services had to have internet service providers and equipment capable of accessing their services, made the leaders of these SMEs implement an organisational change initiative that affected capital equipment, employee training, and a new ordering process. The SMEs that were affected cover the whole range of service providers – accountants, lawyers, landscapers, insurers, etc.
4. **Regulatory Environment:** New regulations relating to the Transport of Dangerous Goods in Canada required the development of government approved safety plans for movement of explosives. Blasting contractors were faced with a requirement from the 'Regulatory Change' arrow. If they did not adapt, it would mean that they could no longer operate. Leadership response was to contract with an office services company to

write a plan in compliance with the regulations, and engage the services of a trainer to teach and certify all employees in the safety procedures. The pro-active approach in this example is accommodated in the proposed model as a planned response to the winds of change, rather than a reactionary one.

5. **Increased Competition:** With the entry into the market place of the big box stores, a custom flooring store responded with the addition of a Cash and Carry Inventory. With the new big box store advertising a low priced, lead-in product, the leadership of the SME adopted a competitive approach. By bringing in a small amount of inexpensive, lower quality product, they were able to demonstrate to their clientele that there were no better bargains to be had elsewhere. They were able to preserve their customer base and prevent the erosion of clientele due to price comparisons. In this example the force for change is 'Increased Competition' and the leadership response is to take a new strategic direction, one which previously they had prided themselves on avoiding. Once again, even as the change was being made, those forces for change were bringing about the need for even more adaptation and change, forcing the SME that wants to thrive and prosper, to continue to adapt and change without allowing time for 'refreezing'.

These practical examples are already accommodate in the proposed model which has been further reviewed and revised following the analysis of the results obtained from the survey, in-depth interviews and the focus group. The next section explains the potential value of the model.

3.4.3 Potential Value of the Proposed Model

It is anticipated that this model can be of benefit to SMEs as they face the various forces of change and reach for appropriate tools to enable them to survive and prosper. The model should bring some understanding to the process of change and the realization that the pressures from technological changes, customer expectations, supplier requirements, the regulatory environment and increased

competition are going to present an ongoing challenge. Rather than being taken by surprise with yet another need for change, the model should assist SMEs to understand the relentless nature of the forces for change, the tools available to cope and adjust to the changes, and to equip them to face yet another round of changes as depicted in the circular flow of the model. Since a model should help to understand the process that it models (Burke 2002), it is proposed that this model has the potential to assist SMEs in understanding the forces for change and the interaction of their unique organisational dynamics to help them change in ways that enhance performance.

The following section considers the relationship between the internal organisational environment and implementation of organisational change.

3.5 Internal Environment and Organisational Change

Internal characteristics of SMEs such as organisational size based on numbers of employees, the presence of a human resource manager and the existence of a strategic plan and/or a business plan have been demonstrated to have an effect on the organisational capacity to implement strategic changes and to adopt organisational change practices (McDonald and Wiesner 1998).

Size was shown to have a significant impact on the prevalence of human resource practices in Australian SMEs as evidenced in the findings from their national survey (Wiesner & McDonald 2001).

The presence of a human resources manager had a significant relationship to the prevalence of most human resource and organizational change practices in Australian SMEs (Wiesner & McDonald 2001, McDonald and Wiesner 1998). In a comparative study of human resource management practices in SMEs between family and non-family businesses, only 26% of family businesses and 34% of non family businesses had a human resource management plan and less than half of the SMEs with a business plan involved their human resource manager (Reid,

Morrow et al 2000). The importance of human resource practices to providing a competitive edge to SMEs is highly relevant and yet larger companies are more likely to adopt practices such as training for their employees (Reid, Morrow et al 2000).

The presence of a strategic plan also had a positive relationship with the prevalence of most human resource and organizational change practices included in two studies of Australian SMEs (Wiesner & McDonald 2001, McDonald and Wiesner 1998). The existence of a vision statement, because it is frequently the starting point for formal strategic planning, was reported to have a significant positive relationship with gross revenues and gross revenues related strongly to business-focused human resource practices in family firms (Reid, Morrow et al 2000). The relationship between planning and performance was reviewed for SMEs in the United States and the findings reported that strategic planning brought about improved performance (Ibrahim, Angelidis & Parsa 2004). This research also reported on the existence of strategic plans in a very large number of SMEs in the United States (Ibrahim, Angelidis & Parsa 2004).

From these examples, the effect of organisational size, presence of a manager with responsibility for human resources and existence of strategic planning as components of the internal environment of the organisation are expected to be factors influencing the capacity of SMEs to adopt organisational change practices and strategic changes. These relationships have been tested and the results are reported in Chapter 5.

The final component of this literature review on Organisational Change is presented as the 'Implementation Enigma' in the following section.

3.6 Implementation Enigma

One of the enigmas arising out of the literature review is the gap between perceived importance and actual implementation of organisational change initiatives and practices. Total Quality Management initiatives that SMEs

identified as being important to competitive advantage had not been implemented to any great extent (Mohd & Aspinwall 2000; Todtling & Kaufman 2001). Further, human resource management practices that would have demonstrated commitment to the espoused tenet of human resources as the SMEs most important assets had not been adopted in many cases (Hammond 2001). The enthusiasm for training expressed by SMEs was contrasted with their low participation in training and development activities (Matland & Hyland as cited in Reid, Morrow et al 2000). Curran & Blackburn (2001) also reported that the actions of SMEs were often at variance with their declared goals. Wiesner and McDonald (2001) found that SMEs are ignoring participative human resource strategies which have the potential to contribute to organisational effectiveness and that human resource practices proven to build organisational effectiveness had only a moderate rate of adoption.

This implementation enigma may not be confined to SMEs. It is also discussed in reference to strategic management by Thompson and Strickland (2001) who discuss the fact that many studies have been conducted both within specific industries and in samples of organisations that cross industries which have demonstrated the potential economic returns available through the implementation of a wide range of management practices. Even though these research results demonstrate the advantages of adopting these practices, high rates of adoption are not in evidence (Thompson & Strickland 2001).

3.7 Summary

This chapter reviewed the development of organisational change models with an overview of ten models beginning with the earliest model of change – Lewin's three step model up to the most recent models of the current time. The need for contemporary research in the field of organisational change is discussed and followed with an update on the lack of emphasis on SMEs in the discipline.

The four categories of organisational change interventions (human resource management interventions, strategic interventions, structural interventions and

human process interventions) and their relationship to the characteristics of SMEs and examples from the literature relating to SMEs were presented in Table 3.2 with a subsequent discussion on each of the categories.

The organisational change models were analysed relative to the characteristics of resources, market, flexibility, leadership and structure that are unique to SMEs and the rationale for a new model of organisational change in SMEs was presented along with a preliminary conceptual framework for such a model. Practical application of the proposed model to change situations in SMEs was assessed and the potential future value of such a model was discussed. The internal environmental factors of employee size, presence of human resource management responsibility and existence of strategic planning and were also considered. The final section encapsulated the implementation enigma identified from the literature review.

The next chapter provides full details on the research objective, the related research questions and sub questions and the hypotheses required in the research process. A complete description of the quantitative and qualitative methodology used for the data gathering phases of the research has been included there as well.

CHAPTER FOUR – RESEARCH METHODOLOGY

4.1 Introduction

The previous chapter (Chapter 3) examined the theoretical background on organisational change and identified the lack of research relating to SMEs and organisational change. This chapter outlines the research methodology used to meet the research objective.

4.2 Research Questions and Hypotheses

Based on the importance of Small and Medium Enterprises (SMEs) to economic growth in the Regional District of the Central Okanagan (RDCO) that was discussed in Chapter 2 and the importance of implementing effective strategies and change practices for the survival and growth of organisations, the following Research Objective is advanced:

RESEARCH OBJECTIVE:

**To examine the nature of organisational change experienced by
SMEs in the Regional District of Central Okanagan**

The research questions and issues presented below have been formulated to address the research objective:

RESEARCH QUESTIONS:

- **RQ 1 - How prevalent are organisational change practices in the RDCO over the past three years?**
- **RQ 2 - What types of strategic change are reconfiguring the status quo in SMEs in the RDCO?**
- **RQ 3 - What external and internal factors influence organisational change in SMEs in the RDCO?**

- **RQ 4 - What changes have occurred in the work force in the RDCO over the past three years?**
- **RQ 5 a. What objectives were pursued with the introduction of strategic changes?**
- **RQ 5 b. To what extent were the objectives achieved?**
- **RQ 6 What is the impact of certain demographic variables on the prevalence of organisational change practices and strategic changes and changes to the work force – organisational size, presence of a manager with responsibility for human resources, and existence of a strategic plan and/or business plan?**

Table 4.1 shows the relationships that were tested. Co-relationships between the demographic variables of size, presence of a manager with responsibility for human resources and existence of a strategic plan and/or a business plan were tested in a series of null hypotheses against the adoption of organisational change practices, introduction of strategic changes and changes to the work force. Three organisational outcomes and three sets of demographic variables required nine hypotheses as presented in Table 4.1.

Table 4.1 Hypotheses for Research Question Six

	Size (Small 20- 50 and Medium 50 -200)	Human Resources Manager	Strategic and/or Business Planning
Organisational Change Practices	Hypothesis 1 (H₁₀)	Hypothesis 2 (H₂₀)	Hypothesis 3 (H₃₀)
Strategic Changes	Hypothesis 4 (H₄₀)	Hypothesis 5 (H₅₀)	Hypothesis 6 (H₆₀)
Changes to the Work Force	Hypothesis 7 (H₇₀)	Hypothesis 8 (H₈₀)	Hypothesis 9 (H₉₀)

The nine hypotheses were formulated as follows:

H₁₀ There is no significant relationship between organisational size and the prevalence of organisational change practices

H₂₀ There is no significant relationship between the presence of a manager with responsibility for human resources and the prevalence of organisational change practices

H₃₀ There is no significant relationship between the existence of a strategic plan and the prevalence of organisational change practices

H₄₀ There is no significant relationship between organisational size and the prevalence of strategic changes

H₅₀ There is no significant relationship between the presence of a manager with responsibility for human resources and the prevalence of strategic changes

H₆₀ There is no significant relationship between the existence of a strategic plan and the prevalence of strategic changes

H₇₀ There is no significant relationship between organisational size and changes to the work force

H₈₀ There is no significant relationship between the presence of a manager with responsibility for human resources and changes to the work force

H₉₀ There is no significant relationship between the existence of a strategic plan and changes to the work force

Note that these have been formulated as null hypotheses because of the lack of prior research on SMEs and Organisational Change, as identified in Chapter 2 and

Chapter 3. They were tested using the survey data in order to address RQ6.

- **RQ 7 - Is the current situation of SMEs in the RDCO conducive to meeting the economic expectations being placed on them?**

This research question has been further subdivided into the following seven sub-research questions.

RQ7a. Are SMEs in the RDCO considered unique compared with large businesses?

RQ7b. What events have created the greatest opportunity for SMEs in the RDCO in recent years?

RQ7c. What events have created the most serious threat to SMEs in the RDCO in recent years?

RQ7d. Do SMEs in the RDCO project growth in the size of the business in the future in regard to sales?

RQ7e. Do SMEs in the RDCO project future growth in the size of the workforce?

RQ7f. Do SMEs in the RDCO expect to be able to deliver on the expectations that government has placed on them as drivers of economic growth?

RQ7g. Are there specific regulatory changes that could stimulate economic performance of SMEs in the RDCO?

- **RQ 8 Is the proposed conceptual framework of Organisational Change in SMEs appropriate to SMEs in the RDCO?**

This research question has also been further subdivided to address each component of the proposed conceptual framework, as follows.

RQ 8 a In relation to the Unique Characteristics of SMEs

RQ 8 b In relation to the Tools for Change

RQ 8 c In relation to the Forces for Change

RQ 8 d In relation to the response by leadership

RQ 8 e In relation to implementation of the tools of change

RQ 8 f In relation to the impact of change on organisational effectiveness

RQ 8 g In relation to the pace of change – no time to refreeze

RQ 8 h In relation to the continual process

RQ 8 i In relation to internal changes

4.2 Research Design and Methodology

The overall research objective is to examine the nature of organisational change in SMEs in the RDCO. The outcomes of the research are able to provide improved understanding of SMEs (based on Kuhn as cited in McPhail & Perry, 2002), along with the potential for improved economic performance that is expected to accompany that increased understanding. This section details the critical realism research paradigm and its applicability to the overall research objective and the research design.

4.2.1 Research Paradigm

The research paradigm, which is defined as the basic belief system or world-view that guides the researcher (Guba & Lincoln 1994), selected for this research is critical realism (which is also frequently referred to as post positivism). In general, this paradigm, or overall conceptual framework, is described as suitable for marketing and management research (McPhail & Perry, 2002). Key features of the paradigm and how they relate to the proposed research are presented in Table 4.2.

Table 4.2 Key Features of Critical Realism relative to this Research

Ontology (What is Reality?) Reality probably exists but can only be imperfectly and probabilistically understood. This research investigates real situations in SMEs.
Epistemology The nature of the relationship between the researcher and business organisations only allows for modified dualism. It is not possible to completely separate the investigator and the investigated object (the SMEs) so that they have no influence on each other.
Methodology Use of both quantitative (questionnaires) and qualitative techniques (in this situation, in-depth interviews and the focus group) will gather the emic view from within the organization to improve understanding of the change processes in the defined context of SMEs in the region under study.

(Source: Developed for this research and adapted from McPhail & Perry, 2002.)

Because the reality of organisational change is complex but observable, there is a match with the ontology of the selected paradigm. The epistemology also provides a match because it is not possible to completely separate the influence of the researcher. Critical realism accommodates the analysis of complex situations in reality when people, relationships, time and events are all involved. Organisational change is a reality, but it is not simple and straightforward. ‘An apt analogy for theorizing about organisation change is nailing jello to a tree. Just as one feels that one is about to understand organisation change, it seems to slip away’ (Wong-Ming 2002, p. 36). In addition, the complex processes embedded in the context, substance and politics involved in organisational change (Dawson 2001) fit with the critical realism paradigm. Therefore, critical realism is adopted as appropriate for this research on Organisational Change in SMEs.

Both qualitative and quantitative methods are appropriate for use with any paradigm, and this study is going to incorporate the use of both quantitative surveys to gather data from a large number of organisations, and qualitative in-depth interviews to gather additional details plus a focus group to validate the proposed new model.

4.2.2 Research Design

The research design is ex post facto rather than experimental because it does not involve the manipulation of variables but attempts to describe the relevant aspects of organisational change (Davis 2000). Descriptive elements are investigated with the aid of the survey and related quantitative analysis of the results. Exploratory elements are included in the subsequent in-depth interviews investigating issues identified by the survey participants and warranting further study, as well as exploring the applicability of the proposed new model of organisational change in SMEs in general terms in the interviews and then specifically with the focus group. Research Issue 8 relating to the appropriateness of existing models of Organisational Change to SMEs relied strongly on the interviews. The validation of the components and processes of the proposed new model was undertaken with the aid of the focus group.

The combination of quantitative and qualitative research methods to obtain answers to research questions is recommended (Gable 1994) to take advantage of the strengths of the two different methodologies. The combination allows for the condensing of data to provide the overview using a quantitative method, and the enhancement of data that is achieved by employing a qualitative method. This provides a strong rationale for the combination of quantitative and qualitative methods that was adopted for this research.

4.2.3 Research Methods

This section describes the decision processes involved in the selection of research methods and their implementation including the development of the survey questionnaire, the interview guide and the focus group protocol.

4.2.3.1 Survey

Survey methodology was adopted to gather a large amount of relevant data as efficiently and effectively as possible. The survey instrument was adapted from previously used and validated questionnaires and was pre-tested in the region by conducting two pilot interviews with managers of SMEs. This process informed

the minor restructure of questions and resulted in the addition of definitional clarification to the questions relating to whether or not a business plan (with the addition of ‘normally including sales and marketing plans, human resources planning and budgets’) and a strategic plan (with the addition of ‘normally including analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis for the firm and a stated mission/vision’) were in place. A copy of the letter of introduction for the electronic questionnaire is provided at Appendix 1 and at Appendix 2 for the mail-in questionnaire. The survey instrument is included at Appendix 3.

The individual research questions are set out in Table 4.3 relative to the methodological component developed to address each component of the research objective.

Table 4.3 Research Questions Relative to Survey Questions

RQ 1 How prevalent are organisational change practices in the RDCO over the past three years?	Question 25 a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s
RQ 2 What types of strategic change are reconfiguring the status quo in SMEs in the RDCO?	Question 26 a, b, c, d, e, f, g, h, i, j, k Question 27 a, b, c, d, e, f, g, h, i, j, k, l, m, Question 28
RQ 3 What external and internal factors influence organisational change in SMEs in the RDCO?	Question 31 a, b, c, d, e, f, g, h Question 33
RQ 4 What changes have occurred in the work force in the RDCO over the past three years?	Question 24 a, b, c, d, e, f, g, h
RQ 5 a. What objectives were pursued with the introduction of strategic changes RQ 5 b To what extent were the objectives achieved?	Question 29 a, b, c, d, e, f, g, h, i, j, k, l, m, n Question 30 a, b, c, d, e, f, g, h, i, j, k, l, m, n
RQ 6 What is the impact of certain demographic variables on the prevalence of organisational change practices and strategic changes and changes to the work force – organisational size, presence of a manager with responsibility for human resources, and the existence of a strategic plan and/or business plan?	Question 1 with Question 25 a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s Question 17 with Question 25 a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s Question 20 with Question 25 a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s Question 1 with Question 26 a, b, c, d, e, f, g, h, i, j, k, l Question 17 with Question 26 a, b, c, d, e, f, g, h, i, j, k Question 20 with Question 26 a, b, c, d, e, f, g, h, i, j, k Question 1 with Question 24 Question 17 with Question 24 Question 20 with Question 24
RQ 7 - Is the current situation of SMEs in the RDCO conducive to meeting the economic expectations being placed on them?	Question 26 a, b, c, d, e, f, g, h, i, j, k Question 27 a, b, c, d, e, f, g, h, i, j, k, l, m Note that In-depth Interviews will be relied upon for RQ 7
RQ 8 - Is the proposed conceptual framework of Organisational Change in SMEs appropriate to SMEs in the RDCO	In-depth interviews, Focus Group and use of the related Validation Questionnaire – Appendix 6

(Source: Developed for this Research)

The Economic Structure of the Regional District of Central Okanagan (RDCO) lists 529 firms in the 20-49 employee category and 212 in the 50-199 range. The Economic Development Commission of the Okanagan (EDCO) generously provided access to their data base of organisations which contained 544 records in five files (Kelowna 20-49, Kelowna 50-199, Lakeview, Winfield and Peachland firms). The files were combined and then reviewed, analyzed, validated, and email addresses added. The reduction in numbers from 741 to 392 was due to elimination of duplication, removal of individual schools as employers when in fact School District #23 is the one employer, and elimination of wholly owned

subsidiaries or branches of large national and multi national firms, such as branches of financial institutions. The outcome of this process was a reduction to 392 organisations.

Surveys were subsequently distributed to these 392 organisations meeting the definition of SMEs that was established for this research (i.e. having between 20 and 200 employees). Zoomerang (www.zoomerang.com) survey software was deployed to distribute the survey to 280 organisations for electronic completion. The additional 112 were contacted by letter with paper copies of the questionnaire and were provided with business reply envelopes. These firms had advised that they did not have email addresses for receipt of the survey questionnaire. Of the 280 distributed by email, 41 were completed after either the first or second request, 10 were partially completed, and 105 were opened but not completed. There were 89 recipients who ignored either the email or the questionnaire or both, and 35 were undeliverable when deployed electronically. The paper format was again utilised to distribute to these 35 organisations for which the email was noted as undeliverable. In total, 26 responses were received by either mail or facsimile, and 41 were received electronically. The total of 67 responses received represented 17.35% of the total number of surveys distributed and the response rate was considered satisfactory for the purposes of the research.

The first question was designed to confirm that the results would be derived from organisations that met the size definition of SMEs. In fact, 12 completed questionnaires indicated employment size as less than 20 and 6 respondents indicated an employment size of greater than 200. Because all of these firms had met the employee size definition at the time that the Economic Development Commission had compiled the data base, it was decided not to exclude the results from these questionnaires in the analysis. This decision was also considered to be appropriate because SMEs are quite subject to employment fluctuations and movement in and out of the category was representative of this situation. Tables summarizing the responses are included in Chapter 5.

4.2.3.2 In-depth Interviews

An interview guide was used in accordance with the advice of Patton (2002) to ensure that each interview followed the same basic lines yet could accommodate sufficient flexibility to illuminate and explore topics as they were discussed. The notice to the interview participants is provided as Appendix 4 and the interview guide is shown as Appendix 5. The interview guide approach allows the topics and issues to be specified in advance and this had the advantage of increasing the comprehensiveness of the data and making the data collection process similar for each individual participant. The interviews still remained conversational and situational as recommended by Patton (2002). This was considered to be highly relevant in the context of the RDCO because it provides an appropriate match to the less formal business culture of the region.

The final version of the protocol was developed after preliminary analysis of the data from the questionnaire, with particular consideration given to the responses to the open-ended question asking for any additional comments from the survey participants.

There were 27 firms that volunteered for further participation in the research, and from this group ten (10) SMEs were selected. Appointments of one hour duration were made with the owner/managers at their place of business. The notice to interview participants is shown at Appendix 4. All appointments were kept and the protocol for the interview (Appendix 5) and the draft of the conceptual framework (Figure 3.1) were provided to each interviewee. All interviews were recorded and the contents of the tapes were transcribed. Content analysis and summary information is provided in Section 5.13. The in-depth interviews were particularly important to Research Question 7 relating to SMEs being able to meet the economic expectations being placed upon them (Table 4.3).

4.2.3.3 Focus Group

The final phase of primary data gathering was the conducting of the focus group to validate the individual components of the proposed new model of

Organisational Change in SMEs. The ten participants from the in-depth interviews were again asked to volunteer in this phase. A questionnaire was formulated to address the various aspects of the model and to invite further input from the participants. Both the questionnaire and the model were circulated with the invitation. The anticipated scheduling problem was minimized by planning the date three weeks in advance, sending an email invitation, making a follow-up confirmation telephone call, setting a definite start and finish time, and scheduling the focus group at noon with the inclusion of a light lunch. The structure of the meeting was designed to allow 15 to 20 minutes of introduction, eating, conversation, followed by a ten-minute, animated power point presentation of the draft model at its current state of development, and then a step-by-step review and discussion of each component. The participants were given the paper copy of the validation questionnaire and a pen with time allocated for its completion as each section was discussed.

The focus group was attended in person by four of the owner/managers that had participated in the in-depth interviews, and three of those unable to attend completed the validation questionnaire (Appendix 6) electronically using Zoomerang software. For the purpose of validation, it was pre-determined that six out of the ten responses would be required. The minimum number of participants was therefore exceeded with seven out of ten SME owner/managers being involved.

The literature review for this research encompassed two fields of study that were deemed appropriate for the purpose – one relating to Small and Medium Enterprises (SMEs) and one covering Organisational Change. Throughout the literature review process, as the unique characteristics of SMEs became more clearly apparent and as the models for organisational change continually referred to big business examples and big business characteristics, the concept for a new model, reflecting the unique characteristics of SMEs and taking into consideration the features of their external and internal environments, began to develop. The

result was the initial draft of the proposed new model of Organisational Change in SMEs presented as Figure 3.1 in Chapter 3.

A focus group was selected as the appropriate methodology to validate the components of the proposed new model of Organisational Change in SMEs. It was considered appropriate because the collective nature had potential to empower the participants, validate their experiences and reduce the influence of the interviewer, as well as create the opportunity to hear a collective voice (Madriz 2000). The interaction of participants that is embedded in focus group methodology has the potential to enhance data quality as shared views can be determined, extreme views can be modified by group interaction, and the whole process can be an enjoyable experience for participants (Patton 2002).

The focus group results are vital to Research Question 8 (Table 4.3). Because the purpose of the focus group was so specifically defined as the validation of the proposed new framework, the structured questionnaire was incorporated into the process. The data analysis processes employed for the focus group data are described in Section 4.2.8 and the results are presented in Chapter 5.

4.2.4 Participant Selection

The target population for this research is the SMEs in the RDCO. The proposed sampling frame is the business directory for the region and the sampling unit is a business defined in accordance with the working definition of SMEs adopted for the purpose of the research (that is, employing between 20 and 200 people as per Section 2.2.2).

With approximately 760 organisations classified as SMEs in the RDCO and expected response rates ranging between 20% and 25% for surveys (Mohd & Aspinwall 2000), it was decided to survey all SMEs in the RDCO. Potential participants were contacted either by email or mail (where email was not available for the particular SME). Target respondents were the owner/managers or general managers of the SMEs, or their informed designates. The data base of 760 SMEs was reduced (refer to Section 4.2.3.1 for more details) to 392 and useable

responses were submitted by 67 SMEs representing a response rate of 17.35%.

The in-depth interviews were undertaken with ten owner/managers and general managers of organisations selected from the 27 SMEs that volunteered on the survey form for further involvement. The purpose of the interviews was to cover additional issues raised by the respondents on the questionnaire and to gather a multi-dimensional view of organisational change in the RDCO. Using the various guidelines discussed for the number of cases appropriate for qualitative interviews, ten respondents were selected (Perry and McPhail 2002). Because 27 SMEs volunteered to participate in the interview phase it was possible to select ten participants emulating the industrial profile of the region as a whole (Table 4.4). The interviewees included one firm from each of the following ten classifications - agriculture, construction, manufacturing, wholesale trade, retail trade, professional/scientific/technical, administrative support, health and social services, accommodation/food services, and the information industry. All SMEs for the interviews had employee numbers within the working definition of SMEs as employing between 20 and 200 people. Further, five came from each of the two proposed groupings, 20 to 50 employees and 51 to 200 employees. The detail relating to the participant selection is provided in Table 4.4.

Table 4.4 Participant Selection for In-depth Interviews

Industry Category North American Industrial Classification System (NAICS):	No.	Size:
11 Agriculture	1	20- 50
23 Construction	1	51-200
31-33 Manufacturing	1	51-200
41 Wholesale Trade	1	51-200
44-45 Retail Trade	1	20- 50
54 Professional Scientific and Technical	1	20- 50
56 Administrative and Support	1	51-200
62 Health and Social Services	1	20- 50
72 Accommodation and Food Services	1	20- 50
51 Information	1	51-200

Reliance was placed on the information-richness of the interviews and the observational and analytical capabilities of the researcher to extract information

relevant to the multiple variables that drive organisational change (Patton 1990, cited in Perry & McPhail 2002). In addition, triangulation of the data was undertaken with information published in annual reports and/or informational brochures and/or corporate profiles. The publications almost always included a discussion on new strategic directions, marketing initiatives, research and development activities, new products or improved processes as well as the inclusion of information on human resources.

The combination of quantitative data from the interviews and public sources was used to enhance the completeness of the information as recommended by the University of Lethbridge (2003).

The interviews were conducted to gain insight into the dynamics of organisational change and also for exploratory purposes in relation to the proposed model for Organisational Change in SMEs developed during this research process. The integration of the interviews into the research design provided richer detail than was possible to obtain by questionnaires alone and aided in the interpretation of the quantitative findings from the survey (Gable 1994). Two pilot interviews with managers from SMEs were undertaken and the protocol re-evaluated prior to undertaking the ten in-depth interviews for this stage of the research. The interview protocol was placed on file with the Research Ethics Board (REB) of the Okanagan University College in accordance with their request. All participants gave their permission to allow the interviews to be taped and the resultant tapes have been transcribed. All interview appointments were pre-scheduled by telephone or email and the interviewer attempted to establish a friendly and open dialogue with the participants. Following the transcription of the content, the interviewees were provided with a summary of the data and asked to review for accuracy and to confirm the validity of the content, which they did.

Selecting the participants for the follow up interviews from the respondents that volunteered on the survey delivered cooperation levels that were more than acceptable (twenty-seven SMEs volunteered and ten participants were required).

However, the volunteering situation raises the issue of self-selection bias in that only those people who feel strongly about the issues are likely to respond (Zikmund 2000). Extreme situations may be over-represented in the interviews because of this. This limitation is disclosed in the research report to ensure that readers are informed of this potential bias (Section 4.3.3).

The interviews were relied upon to provide more information in regard to how change is managed in SMEs and to gain a more comprehensive view on the drivers for change. In addition, the interview results provided some insight into whether the vision of the individual SME is congruent with the expectations imposed on them by the Government of Canada, the Province of British Columbia, and the region. The nuances between employment growth, improved economic performance, and the expectations of the SMEs themselves were considered.

Reliance was placed on both the personal skills of the interviewer and the advice and insight from Dr. Hal Schroeder, highly recognized Canadian researcher (University of Lethbridge 2003) to build trust in the interviews and the focus group. That advice includes having a genuine interest in the organization, listening carefully, and allowing the interviewee to describe the issues the way they see them. Emphasizing the potential value to education and research as well as remembering that the purpose of the interview is to describe the situation, not prescribe potential solutions, are also factors that build trust (University of Lethbridge 2003).

Additional qualitative research was undertaken to validate the proposed new model of Organisational Change in SMEs. This took the form of a focus group formed from the representatives of the ten SMEs that were selected for further participation in the interview stage. All ten participants from the in-depth interviews were invited to participate in the focus group and seven of them completed the validation questionnaire (Appendix 6). The questionnaire was available in two formats – hard copy and electronically via survey software.

4.2.5 Validity and Reliability

Consideration of validity and reliability for both the quantitative and qualitative components of the proposed research was undertaken and an overview is presented in Table 4.5 which follows.

Table 4.5 Research Validity and Reliability

	Quantitative (Survey)	Qualitative (Interviews)
Construct Validity	Correct measures for the concepts being studied – reliance on previously utilised questionnaires plus pre-testing	Review of the reports and the outcome from the focus group by the participants to confirm accuracy.
Internal Validity	Study is descriptive, not causal, therefore not confirming relationships. Consideration will be given throughout as to whether causal relationships exist	Identifying the variables, not the cause and effect. Consideration of many possible alternative explanations for the findings.
External Validity	Establishing the domain to which the findings can be generalized (see Limitations section)	Reliance on analytical generalizations from the interviews.
Reliability	Procedures can be repeated with the same results. The survey instrument was developed from two previous instruments with adaptations and enhancements including those arising from the conduct of two pilots.	Documentation of the procedures and the questions to allow replication. Triangulation with annual reports and other publications.

(Source: Developed for this Research – based on Perry & McPhail (2002))

The above table demonstrates the consideration of construct, internal and external validity and establishes these in relation to the survey questionnaire and the interview protocol. Reliability has also been established by using pre-tested questions for the survey and procedural documentation for the interviews.

4.2.6 Data Analysis Techniques in relation to Survey Data

Quantitative analysis of the survey results was undertaken with the aid of computer software, including the tools in Zoomerang and the Statistical Package for the Social Sciences (SPSS). Descriptive analysis was used to gain a better understanding of the data and included consideration of frequency distributions to

gain an overall view of the results (Zikmund 2000). Bivariate analysis was utilised to compare responses to the organisational change questions and the demographic data. Non-parametric techniques were employed. The Chi-Square test for relatedness or independence was used to determine whether demographic factors of the SMEs relate to responses to the variables on the prevalence of organisational change practices and strategic changes and changes to the work force (Urdan 2001). Correlation coefficients were calculated to determine whether the number of employees in each firm, which was determined from the response to the demographic portion of the questionnaire, was related to the introduction of organisational change practices, such as Total Quality Management (TQM), and which were obtained from the responses to the second part of the questionnaire. Summary data is presented in tables to appropriately communicate the findings in Chapter 5.

4.2.7 Data Analysis Techniques in relation to Interview Data

For analysis of the qualitative data, the contents of the tapes were transcribed and subjected to content analysis. From the transcriptions of the interviews, key topical areas were identified and summarized according to subject areas. Appointments for interviews were only made with owner/managers, general managers, or their informed designates, on the assurance that the person was knowledgeable about organisational change in their firm. All interviews met this quality control procedure.

Content analysis was undertaken using the two-step process. Firstly, axial coding, a first pass of content to identify concepts and themes, such as customer requirements, increased competition, NAFTA, and government regulation, was carried out. Secondly, selective coding was used to compare and contrast the way that these firms deal with changes in relation to the identified concepts and themes (Neuman 2000 as cited in Perry & McPhail 2002). Analyzing the material in this way provided a larger view of how SMEs are coping with change and the effect of that change on employment outcomes. The data enhancement role that is expected from qualitative research was therefore able to be met.

4.2.8 Data Analysis Techniques in relation to the Focus Group Data

The data gathered from the focus group in the quest to validate the proposed new model of change was analyzed both quantitatively and qualitatively. Since there was a maximum of ten potential participants, it was decided that components of the new model would need to be endorsed or considered appropriate by six of the participants in order to be considered relevant and /or applicable.

There were seven completed reports from the SME owner/managers and these individual responses were entered into the Zoomerang survey tool to aid in analysis. Respondents provided their assessment on each of the unique features, the tools for change, the forces for change, the five steps and the other features of the model as being either very appropriate, mostly appropriate or not appropriate. After the frequency and percentage results were considered, every individual comment was assessed in relation to the responses to determine whether or not such comments endorsed or modified the quantitative results and whether the detailed comments were included in the main categories of the model or whether additional categories and/or components were required. The individual comments were also discussed by the focus group to determine whether the group as a whole considered the situations raised were already accommodated in the principles of the model or whether additional categories and/or components were warranted to reflect the reality of the situation.

The real value of a focus group emerged because the topic was narrowly focused, the facilitation was friendly but professional and participants were kept on topic (Patton 2002). This researcher was able to facilitate the group to stay on target using appropriate meeting facilities, timing, and group process skills.

4.3 Limitations

There are a number of limitations embedded in the nature and scope of this research. They are discussed in the following sections.

4.3.1 Geographic Limitations

Firstly, because the study involved SMEs in a specified geographical region, the results will only reflect what is happening in that region and cannot be generalized to apply in a larger context.

4.3.2 Limitations of Survey

The methodology itself has some inherent limitations. A questionnaire does not give respondents the ability to offer explanation or clarification to their answers, (McDonald & Weisner 1997). However, the second phase of data collection involving interviews was designed to gather more detail and explanation of some of the dynamics of organisational change that could not be gathered by the questionnaire.

Over-claiming on self-reported questionnaires is a factor that can affect the accuracy of the findings. A form of social desirability bias, where respondents give a ‘good’ answer rather than a totally accurate answer, could influence the results of the questionnaire (Zikmund 2000). For example, organisations that want to be seen as ‘good’ places to work may respond that they provide flexible hours of work but this may not be the employees’ perspective.

Further, since the findings from the survey are derived from voluntary completion of a questionnaire, and the interviews are undertaken with SMEs that volunteer for further participation, it is possible that self-selection bias may occur.

4.3.3 Limitations from In-depth interviews

Research results derived from interviews are very subject to the level of skills and ability of the interviewer (Zikmund 2000). Analysis and interpretation of the results was undertaken very carefully to ensure that any interpreter bias was negated. For the purpose of this research, interviews were taped rather than relying solely on note-taking. Systematic content analysis was undertaken to ensure inclusion of all topics in accordance with the guidance provided by

Zikmund (2000). Consultation with peers and supervisors was undertaken prior to commencement of the interviews and the technique was based on the principles outlined in the Research Methodology Study Book (University of Southern Queensland 2002). Care was taken not to evaluate comments or introduce ideas but to be an active listener, confirming understanding and following up on areas of interest (Perry & McPhail 2002).

4.3.4 Limitations from Focus Group

The potential limitations from the use of the focus group for validation of the proposed model are presented in Table 4.6 along with techniques to reduce their impact.

Table 4.6 Focus Group Limitations in the Context of this Research

Focus Group Limitations:	Techniques to reduce effect of limitations:
Limited number of questions	Validation of the proposed model only requires nine questions
Limited response time for individual participants to each question	Participants in the focus group already had the opportunity to express individual views in in-depth interviews
Moderator requires group process skills to ensure all voices are heard	Personal skills of the researcher relied upon to ensure broad participation
Minority perspectives may not be expressed	Personal skills of the researcher used to encourage minority perspectives
Prior established relationships can hinder productivity of focus group	No evident prior relationships established between participants as personal introductions made by the researcher at the commencement of the focus group
Controversial and personal topics not suitable	Validation of proposed new model is neither controversial nor personal
No assurance of confidentiality	Business owners/managers will not be disclosing confidential information – simply their opinions
Useful for major themes rather than micro-analysis	Topic does not involve micro analysis
Take place outside of the normal setting	Board room at educational institution provided an appropriate venue.

(Source: Developed for this Research and based on Patton 2002)

It can be ascertained from the above table that the impact of the potential limitations identified have been very largely eliminated by the preliminary planning and the techniques employed in the conduct of the focus group. This is considered to have prevented erosion of the quality of the data or reduction in the quantity of data collected in the focus group.

Overall, the comprehensive research design and methodology, incorporating both quantitative and qualitative tools, has been relied upon to minimize or negate the potential limitations identified.

4.4 Ethical Considerations

The protocol for this research was approved by two research ethics boards – the Research Ethics Board (REB) at Okanagan University College (OUC) where the researcher is employed and the Higher Research Ethics Committee (HREC) at the University of Southern Queensland (USQ) where the researcher is a doctoral student.

The required forms for both bodies were completed and approved and careful consideration given to the items contained therein.

4.4.1 Informed Consent

Both the survey questionnaire and the interview provide for informed consent of participants. The Introduction to the Survey Questionnaire is provided at Appendices 1 and 2 and the Notice to Interview Participants is provided at Appendix 4.

4.4.2 Plain Language for Consent Mechanism

The consent was provided in plain language in both documents (refer to Appendices 1, 2 and 4).

4.4.3 Participants free to withdraw at any stage

Participants were able to withdraw from the questionnaire at any time simply by not continuing with it. Participants in the interviews were provided written advice to the effect that they were free to withdraw, but none of them requested to do so.

4.4.4 Preservation of Confidentiality

Confidentiality has been preserved by the researcher in accordance with the ethical guidelines to researchers provided by both Okanagan University College and University of Southern Queensland. The resultant data will only ever be reported in total and summary form without disclosing any individual or corporate participants.

4.4.5 Research Findings reported to Participants

The summary findings from the survey questionnaire were made available to all participants. A report summarizing the data collected in the interviews was provided back to each participant, and the data gathered from the focus group was also summarized and made available to the participants.

4.4.6 Data Security and Storage

The data collected from the surveys, the interviews and the focus group has been stored in a locked filing cabinet at the Business Administration Department of Okanagan University College, 1000 KLO Road, Kelowna, BC, Canada, V1Y 4X8 and will be kept for a period of seven years. This is in compliance with the guidelines from the REB at OUC, while the HREC at USQ requires a period of five years.

4.4.7 Contact Details Provided

Contact details of the researcher are provided in the introduction to the Survey Questionnaire and in the Notice to Participants for the interviews (as shown in Appendices 1, 2 and 4).

4.4.8 Participant Access to Research Ethics Boards

Participants in both the questionnaire and the interviews were provided with contact details for the Higher Research Ethics Committee (HREC) of the University of Southern Queensland and the Research Ethics Board (REB) of Okanagan University College.

4.4.9 Privacy Regulations

No intrusive enquiry was undertaken as either part of the survey or the interviews. The questionnaire and the interview protocol were submitted, reviewed and approved by the HREC and the REB.

4.4.10 Psychological and Other Risks

There are no known psychological or physical or other potential risks to the participants in the project.

4.6 Summary

This chapter has specified the overall research objective, the related research questions, sub research questions and the related hypotheses.

Critical realism was selected as the research paradigm because it provided an appropriate match to the research objective. The selected methodology to address the research objective includes a combination of qualitative and quantitative methods. The research questions and sub questions have been related to the various components of the research design. The participant selection process for each of the three phases of primary research has been described.

The potential limitations have been identified and addressed and the issues relating to research ethics have been considered and the appropriate approvals received. The economic importance of SMEs to the region that is the focus of the study, along with the expectations for the future role of SMEs, provides justification for the research.

This research has the potential to contribute to the body of knowledge on how SMEs use strategic change and organisational change practices to cope with their changing environment. It also has the potential to inform policy to encourage the survival and growth of the SME in the RDCO. All participants were advised of this potential. In addition, the communication of the findings to the participants

should serve to make the SMEs of the RDCO better informed and better equipped to cope with the next round of inevitable change.

CHAPTER FIVE – ANALYSIS OF RESULTS

5.1 Introduction

This chapter reports the results from the survey, the in-depth interviews and the focus group.

The survey data is presented in tabular form along with descriptive dialogue on the organisational characteristics of the respondent SMEs including organisational size, number of locations, industry classification, respondent characteristics and their ownership and management status. Business characteristics relating to operations include length of time in business and involvement in exporting and establishment of the internal variables relative to strategic planning and human resource management. The prevalence of organisational change practices and strategic changes are presented and described. The most significant change for the respondent SMEs is noted along with the objectives pursued when making that change. An assessment of the extent to which the objectives were achieved is presented along with an analysis of the factors driving the strategic changes.

The Chi-Square test for relatedness of fit (Coakes & Steed 2003 and Urdan, 2001) was used to analyze the relationship between the internal variables of organization size, presence of a human resources manager and existence of a strategic plan and the prevalence of organisational change practices, strategic changes and work force changes.

The section on Survey Results is followed by a section on the results from the in-depth interviews undertaken with the ten owner/managers who were selected from SMEs who volunteered for further participation in the research project. Finally the data gathered in the focus group is provided in validation of the proposed new framework for Organisational Change in SMEs.

5.2 Survey Results

SMEs in the RDCO demonstrate some specific demographic characteristics which are described and presented in this section.

5.2.1 Organisation Size

The SMEs that responded to the survey are categorized according to the number of employees and their number of business locations in Table 5.1.

**Table 5.1 Organisation Size and Locations of SMEs
(N=67)**

Organisation Size	Number of SMEs f (%)
Less than 20	12 (18)
20 to 50	28 (42)
51 to 200	21 (31)
201 or more	6 (9)
Number of Locations	Number of SMEs f (%)
One only	29 (44)
2 to 4	27 (41)
5 to 10	4 (6)
11 to 20	1 (2)
More than 20	5 (8)

Small businesses (20 to 50 employees) constituted 42% and medium businesses (51 to 200 employees) comprised 31% of the respondent SMEs. Because the lists of organisations were provided by the Economic Development Commission of the Okanagan and sizing categories were accurate at the time of preparation, it was decided to include the firms that had moved either to the less than 20 employee size category, and the greater than 200 employees. In fact, as Table 5.1 shows, 18% of the respondents had reduced in size and 9% had increased.

Of the total number of firms in the RDCO that meet the defining characteristic of having between 20 and 200 employees, 71% of them have between 20 and 50 employees, and 29% have between 51 and 200 employees, whereas of the respondents to the survey, 42% of them are in the 20 to 50 employee category and 31% in the 51 to 200 category, making the larger category over-represented in relation to the region as a whole.

5.2.2 Number of Locations and Location of Head Office

The number of locations from which the firms operate is of interest to determine the regional concentration of SMEs.

Of the SMEs responding to the survey, 44% have only one location and an additional 41% have between 2 and 4 locations, leaving only 6% with 5 to 10 locations and 2% reporting more than 10 locations. These SMEs really are regionally focused as indicated by the number of locations from which they operate. This is further reinforced by the fact that 85% have their head office in their home Province of British Columbia, 2% in the neighboring Province of Alberta, and 11% in Ontario.

5.2.3 Profile of SME respondents using the North American Industry Classification System (NAICS)

The North American Industry Classification System (NAICS) has been adopted by the United States, Canada and Mexico subsequent to the North American Free Trade Agreement (NAFTA). The table below shows the NAICS categories for the SMEs responding to the survey and for the region as a whole.

Table 5.2 Industry Classification of Respondents

N=66

North American Industry Classification System (NAICS)	Number of Respondent SMEs f (%)	<u>Percent of Total RDCO</u>
Agriculture, Forestry Fishing Hunting	3 (5)	5.7
Construction Industries	5 (8)	14.2
Manufacturing Industries	8 (12)	5.1
Retail Trade Industries	4 (6)	11.7
Transportation and Warehousing	1 (2)	3.3
Finance and Insurance	1 (2)	4.2
Real Estate Rental and Leasing	1 (2)	5.1
Professional Scientific and Technical Services	12 (18)	9.4
Management of Companies and Entertainment	1 (2)	3.2
Health and Social Service Industries	8 (12)	8.7
Arts, Entertainment and Recreation	3 (5)	1.9
Accommodation and Food Service	10 (15)	6.3
Other Services	9 (14)	7.7

While responses were received from every NAICS classification listed, the profile of the responses does not exactly match the profile of the RDCO as indicated by

the differences in the percentages in the two columns in the above table. Construction industries and the retail trade are under represented in the sample compared with the region as a whole, while Manufacturing, Professional, Scientific and Technical services and Accommodation and Food Services are over represented. This is not an unexpected result considering the number of respondents (67) in relation to the total number of organisations in the RDCO profile (776). It is not expected that the value of the findings in relation to organisational change will be eroded because the exact match is not in place. The important element for the analysis is size of the organization rather than industrial grouping.

5.3 Characteristics of Respondent SME Owner/Managers

The following table presents a summary of the key characteristics of the SME owner/managers who provided the responses to the survey questionnaire. These characteristics include the position held, the highest level of formal education, age group and gender. These are discussed in the appropriate sub-sections below.

Table 5.3 Respondent Characteristics

Position Description N=63	Number of Respondents f (%)
Chief Executive Officer (CEO)	26 (41)
Manager reporting to CEO	15 (24)
Middle Manager	9 (14)
Other	13 (21)
Highest Level of Formal Education N=67	
High School Graduation	16 (25)
Technical or Trade Qualification	4 (6)
Diploma (2 years)	11 (17)
Degree – Baccalaureate	15 (23)
Post Graduate Degree	13 (20)
Other	6 (9)
Age Group N=67	
Under 30 years	4 (6)
31 to 45 years	35 (52)
46 to 55 years	21 (31)
56 to 65 years	6 (9)
More than 65 years	1 (1)
Gender N=67	
Male	45 (67)
Female	22 (33)

5.3.1 Management Level of Participants

In order to ensure the highest level of data integrity possible, it was considered important that the management level of participants be such that they would be in a knowledgeable position in regard to the activities of the firm. For this purpose all Chief Executive Officers (CEOs), managers reporting to CEOs and middle managers would be expected to meet the requirement. Analysis of the ‘Other’ category discloses that in their self-description, respondents called themselves ‘Owners’ or various other titles that met the criteria of someone who would be expected to be very knowledgeable about the activities of the firm.

The surveys were completed by the Chief Executive Officer (CEO) in 41% of the cases, manager reporting to the CEO in 24% and by middle management in 14% of the cases. The final 21% classified themselves as ‘Other’ and then described themselves by various terms all of which indicated an appropriate level of responsibility and knowledge.

5.3.2 Education Level, Age and Gender of Participants

In responding to the question relating to the highest level of formal education, 25% indicated high school graduation, 4% trade or technical qualifications, 15% baccalaureate degrees, and 13% post-graduate degrees.

Of the total respondents, the majority (67%) were male with the significantly lower percentage female (33%); 52% were between the ages of 31 and 45 years (83% between the ages of 31 and 55 years), providing a young, predominantly male group of participants.

5.4 Status of Respondents – Ownership / Management / Family

Table 5.4 below summarizes the responses to the questions relating to the ownership status of the participants, whether or not the SME is a family business, and whether family members are involved in management.

Table 5.4 Ownership/Management Status of Respondents
N=67

	Yes Number of Respondents f (%)	No Number of Respondents f (%)
Ownership Status N = 67	35 (52)	32 (48)
Family Owned N = 66	26 (39)	40 (61)
Family Managed N=26	24 (92)	2 (8)

Of the total respondents to the survey, 52% declared they were either owners or part-owners of the organization; 39% of the SMEs are family-owned and in 92% of these situations, family members are involved in the management of the business.

5.5 Business Characteristics of Respondent SMEs

The survey included questions related to franchise relationships, length of time in business and export involvement of the SMEs in the RDCO. The results are presented in Table 5.5 and discussed in the sections that follow.

Table 5.5 Operating Characteristics of SMEs

Member of Franchise N=66	Number of Respondents f (%)
Yes	9 (14)
No	57 (86)
Length of Time in Business N=67	
Less than 1 year	0 (0)
1 to 2 years	1 (1)
2 to 3 years	1 (1)
3 to 5 years	2 (3)
5 to 10 years	8 (12)
More than 10 years ago	55 (82)
Export Participation (Indicating all regions that apply) N=67	
Non-exporters	52 (79)
Export to the United States	13 (20)
Export to Mexico	4 (6)
Export to Asia Pacific	6 (10)
Export to Europe	6 (10)
Export to Africa	1 (2)
South America	3 (5)
Time in Exporting N=14	
Less than 3 years	3 (21)
3 to 5 years	1 (7)
More than 5 years	10 (71)

5.5.1 Franchise Relationships

Franchising normally offers business expertise in marketing, operating, financing and managing a business and can sometimes ease the path to developing a viable small business. Therefore, the survey included a question to determine whether the SMEs were part of a franchise. Only 14% of the respondent SMEs have a franchise affiliation, leaving 86% non-affiliated (Table 5.5).

5.5.2 Length of Time in Business

The respondents were asked to disclose how long the business had been in operation and the responses are also summarized Table 5.5. The majority, in fact 82%, of the SMEs have been in business for more than ten years, and an additional 12% for between 5 and 10 years. From this it does not appear that business start-ups commence with between 20 and 200 employees, but that organisations grow to the SME size after a number of years.

5.5.3 Exporting

A large percentage (79%) of the SMEs are not involved in exporting and of those that do export (21%), 13 firms do so to the United States (Canada's largest trading partner for both imports and exports), 6 to Asia Pacific, 6 to Europe and 4 to Mexico. While there is low overall participation in exporting, the firms that are involved have expanded to geographically diverse markets. Overall, the SMEs of the RDCO are strongly allied to the domestic market.

While the majority of SMEs in the RDCO are not involved in exporting (as discussed above, 79% of the respondents do not export), of the firms that do export, 71% of them have been doing so for more than five years.

5.6 Presence of a Human Resource Manager and Human Resources Department

Two questions included in the survey were formulated as indicators of the emphasis being placed on the management of human resources. The responses to the questions on the presence of a dedicated human resource manager in the SME and whether there was a Human Resources Department are presented below in Table 5.6.

Table 5.6 Presence of a Human Resource Manager and a Human Resource Department
N=66

	Yes Number of Respondents f (%)	No Number of Respondents f (%)
Human Resources Manager	39 (59)	27 (41)
Human Resources Department	20 (31)	45 (69)

While there is a manager responsible for human resources in 59% of the SMEs, only 31% of them have a specific human resource department. This leaves a significant percentage (41%) of SMEs without a manager with specific

responsibility for human resources and 69% without a human resources department.

5.7 Existence of Business and Strategic Plans

Participants were asked in the questionnaire whether or not they had a Business Plan (normally including sales and marketing plans, human resource planning and budgets), and whether or not they had a Strategic Plan (normally including analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) for the firm and a stated mission/vision). The results are presented in the Table 5.7.

Table 5.7 SMEs and Planning
N=67

	Yes Number of Respondents f (%)	No Number of Respondents f (%)
Business Plan	51 (67)	15 (24)
Strategic Plan	41 (61)	26 (39)
Specific goals and objectives identified	53(83%)	11(17%)
Changing practices to meet objectives	49 (79)	13 (21)

Business plans exist within 76% of the firms, and 61% of the firms have prepared strategic plans. So while business and strategic planning are undertaken by the majority of firms, the 24% that have no business plan and the 39% that have no strategic plan are probably not taking advantage of all opportunities presented in their environment. They are also probably not as well prepared as they might be to face the dynamic operational environment. Identification of their internal strengths and weaknesses is normally a first step in building on those strengths and overcoming the weaknesses.

Results to the question relating to changing of business practices to meet planning objectives are also reported in Table 5.7. Specific goals and objectives are

identified in 83% of the business and strategic plans and 79% of the firms report that they alter their practices to meet the stated goals and objectives – in other words, they implement their plans.

5.8 Internet Access

The final question in the ‘You and Your Organization’ section of the questionnaire was related to internet access by SMEs. The results are presented in the following table.

Table 5.8 Internet Access

N=66

Internet Access	Number of Respondents f (%)
Many times daily	48 (73)
Daily	15 (23)
Weekly	1 (2)
Monthly	1 (2)
Never	1 (2)

The majority (73%) of the SMEs responded that they access the internet many times daily, and a further 23% do so at least once a day. Only one firm never accesses the internet.

5.9 Organisational Change in SMEs in the RDCO – Survey Data

This section reports on the introduction of organisational change practices, strategic changes, the external and internal factors that influence organisational change, the objectives pursued when significant change is introduced and the extent to which those objectives were achieved.

5.9.1 Introduction of Organisational Change Practices

SMEs in the RDCO were asked to indicate organisational change practices that had been introduced in their respective organisations over the past three years in order to address the first research question.

RQ 1 - How prevalent are Organisational change practices in the RDCO over the past three years?

The results are presented in Table 5.9. The organisational change practices are further categorized within Table 5.9 into functional flexibility (capacity to redirect internal human resources to meet operational requirements), numerical flexibility (providing a relevant range rather than a defined number for total labour hours available), teams and quality, as different practices can be adopted to meet similar objectives. The categorization of numerical flexibility and functional flexibility was utilised in a previous work by Wiesner, Banham & Poole (2004).

Table 5.9 Organisational Change Practices in the Past Three Years
N=67

Organisational Change Practices	Number of Respondents f (%)
Functional Flexibility:	
Use of Consultants	19 (33)
Contracting out	10 (17)
Job Rotation	15 (26)
Numerical Flexibility:	
Flexible Work Hours	29 (50)
Telecommuting/work from home	22 (38)
Job Sharing	13 (22)
Teams:	
Quality problem solving teams	19 (33)
Self managing work teams	14 (24)
Cross Functional Project Teams	6 (10)
Quality Initiatives:	
Productivity Improvement plans	28 (48)
Re-engineering practices/processes	17 (29)
Total Quality Management	11 (19)
Bench Marking	12 (21)
Best Practice (c/w Canadian Firms)	14 (24)
Best Practice (c/w International Firms)	2 (3)
Quality Initiatives (such as ISO 9000)	8 (14)
Other	5 (9)

While SMEs in the RDCO are not overwhelmingly adopting organisational change practices, there is evidence that firms are involved with implementation of organisational change practices to a moderate extent. For the purposes of this analysis, 70% adoption will be considered to represent a high rate of adoption and

less than 30% will be considered a low rate of adoption. Results ranging between 31% and 69% (inclusive) will be considered a moderate rate of adoption

The results show a moderate rate of adoption for flexible work hours (50%) and productivity improvement plans (48%). Use of consultants is the next highest practice and consultants have been brought in by 33% of the SMEs. Telecommuting/work from home is in place in 38% of the respondent organisations. A low rate of adoption exists for other practices including quality solving work teams (20%) re-engineering (29%), re-engineering job processes (26%), job rotation (24%), bench marking (24%), self managing work teams (21%), and quality initiatives (19%). Best practice compared with other Canadian organisations has been implemented by 19%, but not even one reported the implementation of best practice compared with international organisations. Contracting out work previously performed in house occurred in 17% of the firms. Only 17% adopted Total Quality Management (TQM) and only 10% report the adoption of quality initiatives such as ISO 9000. Individual SMEs reported the adoption of Kaizen (continuous improvement) manufacturing and profit sharing.

None of the organisational change practices are showing a high rate of adoption by SMEs in the RDCO.

The practices that relate to numerical flexibility are being adopted by SMEs in the RDCO to a moderate degree. Functional flexibility and quality are being pursued to a small extent as indicated by the low rates of adoption for the practices in those classifications. Very low rates of adoption exist for the team-related practices.

5.9.2 Strategic Changes in SMEs

The responses to the questions relating to the introduction of strategic changes are relevant to the second research question and they are presented in Table 5.10.

RQ2 - What types of strategic change are reconfiguring the status quo in SMEs in the RDCO?

Table 5.10 Strategic Changes in the Past Three Years and the Past Year
N=67

Strategic Changes	In the past 3 Years Number of Respondents f (%)	In the past 12 months Number of Respondents f (%)
Change in Product	26 (40)	20 (36)
Change in Service	31 (48)	22 (40)
Restructuring work practices	33 (51)	20 (36)
New Ownership	11 (17)	4 (7)
Management Reorganization	32 (49)	21 (38)
Change in Management Personnel	38 (58)	28 (51)
Unionization	2 (3)	1 (2)
Non Unionization	2 (3)	1 (2)
New Plant	7 (11)	5 (9)
New Equipment	29 (45)	21 (38)
New Technology	30 (46)	18 (33)
Changes to the Work Force	25 (38)	15 (27)
Other	5 (8)	2 (4)

The seven most highly engaged strategic changes in the past twelve months are: change in product, change in service, restructuring work practices, management re-organization, management personnel changes, new equipment and new technology. These strategic changes were reported by between a third and a half of the respondent SMEs in the RDCO in that time period. This is indicative of a highly changing situation for the SMEs in the region.

In the past three years, change in management personnel is reported by 58% of SMEs responding to the questionnaire, restructuring of work practices by 51% management re-organisations by 49%, change in service by 48%, new technology by 46%, change in product and new equipment by 45%, and changes in the work force by 38% and new ownership by 17%.

Within the past twelve months, 51% of the respondent SMEs report a change in management personnel, 40% a change in service and 36% restructuring of work practices, 38% management reorganization and new equipment, 36% a change in product, and 33% new technology.

Change in management personnel is the biggest type of change experienced by SMEs in the RDCO with 58% reporting its occurrence in the past three years and 51% reporting its occurrence in the past year. Restructuring work practices, new equipment, new technology, management reorganization, change in product, change in service and changes to the work force were all reported by approximately 40% to 50% of SMEs to have occurred in the past three years, and for between 33% and 43% to have occurred in the past year. Unionization/non-unionization was reported as a change by only two firms in the past three years.

The SMEs were asked to identify, from their own perspective, the most significant change for their organisations during the past three years. Table 5.11 presents the strategic changes in accordance with the major themes that emerged of management, technology, operational change, work force, market changes and performance enhancement. The numbers of SMEs involved in strategic changes relating to these themes is shown in brackets () following the descriptor.

Table 5.11 Most Significant Changes in the Past Three Years
N=67

Theme	Comments
Management	Change in management personnel (6), management re-organization (8), more responsibility to management, new owner and management (5) and succession planning (1).
Technology	Change in type of work re technology, new technology (6).
Operational Change	Change in Service (2), change in product (5), new location, and new equipment (3).
Work Force	Work force change (2), non-unionization (1), out sourcing to China (1), significant work force reduction (1), contracting out (1), shortage of skilled workers (1).
Markets	Securing new contracts (1).
Performance enhancement	Restructuring work practices (2), on-going improvement (1).

In responding to the question relating to the most significant change in the past three years, 20 out of the 32 respondents stated that it was management related – change in management personnel, management re-organization, new ownership or succession planning. Change in product or service was most significant for six firms, and new technology was most significant for five more with individual

firms being concerned about non-unionization, new equipment, restructuring of work practices and changes to the work force.

So in attempting to determine the answer to RQ2 ‘What types of strategic change are reconfiguring the status quo in SMEs in the RDCO?’, it is clear that management changes figure very prominently, while external market influences, new technology and increasing competition are the main forces that drive the other changes.

5.9.3 Forces for Strategic Change in SMEs

SMEs provided information relating to the factors influencing adoption of strategic changes and further address the following question.

RQ 3 - What external and internal factors influence organisational change in SMEs in the RDCO?

Table 5.12 Factors influencing Strategic Change

N=67

Forces for Change	Not Important f (%)	Somewhat Important f (%)	Very Important f (%)	Not Applicable f (%)
Customer Expectations for Price	3 (5)	22 (39)	21 (38)	10 (18)
Customer Expectations for Quality	2(3)	5 (8)	45 (76)	7 (12)
Erosion of Profits	4 (7)	17 (30)	27 (48)	8 (14)
Changing Products or Services	6 (10)	22 (38)	20 (34)	10 (17)
Availability of New Technology	9 (15)	28 (47)	12 (20)	10 (17)
Affordability of New Technology	12 (20)	22 (37)	15 (25)	11 (18)
North American Free Trade Agreement (NAFTA)	19 (36)	0 (0)	3 (6)	31 (58)
Export Market Opportunity	17 (32)	2 (4)	2 (4)	32 (60)
Desire to compete globally	16 (30)	4 (7)	3 (6)	31 (57)
Exchange Rate Fluctuations	13 (5)	7 (13)	7(13)	25 (48)
Increased Competition in marketplace	3 (5)	19 (34)	25 (45)	9 (16)
Change in Government Regulation	14 (26)	7 (13)	14 (26)	18 (34)
Inflexibility in the Work Force	9 (17)	14 (26)	12 (22)	19 (35)
Major Supplier Requirement	14 (27)	10 (19)	7 (13)	21 (40)

Customer expectations in regard to quality ranked very high with 76% of the respondent SMEs indicating it was a very important consideration. Erosion of profits was ranked very important by 48% of firms and increased competition was

very important to 45% of the firms. All of the other factors were ranked as not important, somewhat important or very important by at least some of the respondents.

When the responses to this question are combined for those that rated these influences as either somewhat important or very important in regard to the most important change experienced over the past three years, 88% relate to customer expectations for quality, 87% relate to customer expectations for price, 79% relate to increased competition in the marketplace, 78% to erosion of profits and 72% to changing products or services. These factors are therefore considered to have high levels of influence. Moderate levels of influence (with the combined totals influencing between 31% and 69% of firms inclusively) include availability of new technology (67%), affordability of new technology (62%), inflexibility in the work force (48%), change in government regulation (39%) and major supplier requirement (32%). Low levels of influence are considered to have occurred when the combined total is 30% or less and these factors are exchange rate fluctuations (26%), the desire to compete globally (13%), export market opportunity (8%) and the North American Free Trade Agreement (NAFTA) (6%).

5.9.4 Employment Growth

The survey asked respondents to identify changes in employment categories and the responses address the research question below.

RQ 4 - What changes have occurred in the work force in the RDCO over the past three years?

The responses are presented in Table 5.13.

Table 5.13 Changes to the Work Force in the Past Three Years

N=67

Employment Category	Increase F (%)	Decrease f (%)	No Change f (%)	Not Applicable f (%)
Permanent Full Time	41 (61)	8 (12)	17 (25)	1 (1)
Permanent Part Time	32 (48)	4 (6)	25 (37)	6 (9)
Casual Employment	26 (40)	2 (3)	28 (43)	9 (14)
Apprentices/Trainees	26 (39)	6 (9)	18 (27)	16 (24)
Independent Contractors	22 (33)	3 (5)	21 (32)	20 (30)

Strong overall employment growth is reported over the past three years. Permanent full-time employment increased for 61% of the respondent SMEs and 48% reported an increase in permanent part-time employment, 40% increased casual employment, 39% increased the number of apprentices/trainees and 33% reported an increase in the number of independent contractors. Decreases in employment in the various categories ranged from 0% to 12%, and the 'no change' responses ranged from 25% to 43%. Increases in employment far outpaced any decreases, with the net growth in permanent full time at 49%, permanent part time at 42%, casual employment at 37%, apprentices / trainees at 30% and independent contractors at 28%.

Looking further, growth in permanent full-time employment is reported by 25 out of the 39 organisations that have a business plan, by 22 of the 31 that have a formalized strategic plan and by 17 of the 29 who have a manager whose principal responsibility is human resource management.

Work force changes have been very prevalent for SMEs in the RDCO and overall, employment gains far exceeded employment losses.

5.9.5 Objectives pursued with Significant Changes

The business and operational objectives being pursued with the introduction of the most significant change address research question 5a and the responses are summarized in Table 5.14.

RQ5a. What objectives were pursued with the introduction of significant change?

Table 5.14 Objectives Pursued in making Significant Changes

N=67

Objectives	Number of Respondents f (%)
Labour Cost Reductions	24 (38)
Improved Labour Productivity	38 (56)
Improved Labour Flexibility	17 (27)
Increased Competitiveness	28 (44)
Non-labour Cost Reductions	18 (28)
Waste Reductions	15 (23)
Improved Business Processes	27 (42)
Improved Decision Making	25 (39)
Improved Customer Service	41 (64)
Improved Internal Communications	30 (47)
Increased Employee Consultation	22 (34)
Increased Employee Commitment	23 (36)
Lower Absenteeism	13 (20)

SMEs in the RDCO pursued a range of objectives as they introduced the change with the most significance to them. Improved customer service is the dominant objective and was identified by 64% of the SMEs. Labour cost reductions, productivity and flexibility issues figure largely in these objectives, with labour productivity being identified by 56% of the firms. Improved internal communications was another high priority objective with 47% of firms identifying it as an objective of their most significant change.

At the same time, 47% were seeking improved internal communications, 44% increased competitiveness, 42% were pursuing improved business processes, 39% were looking for improved business decision making, and 38% had labour cost reductions as their objectives. Less than 30% were seeking non-labour cost reductions, waste reductions, improved labour flexibility and lower absenteeism.

However, with 64% stating improved customer service and 56% improved productivity of labour, these two are considered the prime objectives for introduction of significant change.

5.9.6 Extent to which the Objectives were achieved

Respondents were asked to consider the extent to which the objectives were achieved to determine the success of the initiatives undertaken and to address the following question.

RQ 5 b - To what extent were the objectives achieved?

The results are presented in Table 5.15.

Table 5.15 Extent to which Objectives were achieved
N=67

Objectives	Not at All f (%)	Minor Extent f (%)	Major Extent f (%)	Not Applicable f (%)
Labour Cost Reductions	9 (17)	17 (32)	14 (26)	13 (25)
Improved Labour Productivity	3 (5)	28 (51)	17 (31)	7 (13)
Improved Labour Flexibility	7 (14)	17 (35)	8 (16)	17 (35)
Increased Competitiveness	2 (4)	23 (44)	14 (27)	13 (25)
Non-labour Cost Reductions	8 (17)	19 (40)	11 (23)	11 (23)
Waste Reductions	9 (19)	18 (38)	15 (31)	15 (31)
Improved Business Processes	0 (0)	32 (58)	14 (25)	9 (16)
Improved Decision Making	4 (7)	24 (44)	17 (31)	10 (18)
Improved Customer Service	3 (5)	24 (43)	21 (38)	8 (14)
Improved Internal Communications	4 (8)	22 (42)	18 (34)	9 (17)
Increased Employee Consultation	4 (8)	24 (46)	13 (25)	11 (21)
Increased Employee Commitment	6 (12)	22 (42)	14 (27)	10 (19)
Lower Absenteeism	10 (22)	13 (29)	5 (11)	17 (38)

SMEs report a high degree of success in achieving their objectives to a major extent with 41% stating that they achieved improved customer service, 38% improved internal communications, 35% improved labour productivity, and 31% improved decision making. When the response for both a major and a minor extent are combined, 90% report improved business processes, 85% improved labour productivity, and 82% improved customer service.

Labour and non-labour cost reductions, lower absenteeism and waste reductions were the most difficult objectives to achieve with between 17% and 22% of firms reporting that they were unable to achieve them to even a minor extent. Only 2%

to 21% report their particular objectives were not achieved at all, (Appendix 3, Questions 29 and 30).

5.10 Impact of Internal Organisational Variables on Prevalence of Organisational Change Practices and Strategic Changes and Changes in the Work Force

In order to assess the impact of selected demographic variables on the prevalence of organisational change practices, the research question below was subdivided into nine hypotheses.

RQ6 - What is the impact of certain demographic variables on the prevalence of organisational change practices and strategic changes and changes to the work force? - Organisational size, presence of a manager with responsibility for human resources, and existence of a strategic plan and/or existence of a business plan?

Nine null hypotheses were formulated and tested. They were drafted as null hypotheses owing to the lack of existing research on these particular research issues outlined in Chapter 4 (Table 4.1). Because the underlying purpose of this relational analysis was to determine the impact of the importance placed on human resources, the responses to the questions on whether there was a manager whose principal responsibility covered human resource management and whether the organisation had a human resource management department were combined (Questions 17 and 18, Appendix 3). This was considered to identify the firms that placed an emphasis on their human resources. Likewise to determine the existence of planning, the responses to the questions on whether there was a Business Plan (normally including sales and marketing plans, human resource planning and budgets) and whether there was a strategic plan (normally including SWOT analysis and a mission/vision statement) were also combined (Questions

19 and 20, Appendix 3). The subsequent testing of the null hypotheses and the resultant analysis was undertaken with these combined responses.

5.10.1 Impact of Organisational Size on the Prevalence of Organisational Change Practices

Organisational change practices are normally introduced by owner/managers to respond to an impetus for change, or in reaction to an opportunity or threat in the economic environment.

To determine whether a relationship exists between the size of an organization and the introduction of organisational change practices, the following null hypothesis was formulated.

H₁₀ There is no significant relationship between organisational size and the prevalence of organisational change practices

To determine the answer, the responses to the question relating to the introduction of the organisational change practices were then analyzed by conducting a Chi-square analysis for small (20 to 50 employees) and medium (51 to 200 employees). Pearson's correlation coefficients were calculated to determine whether the values of the one variable were, on average, associated with the second variable. Since correlation does not imply causation, but the strength of the relationship (Urdan 2001), it is the strength of the relationship that is being discussed.

The results are presented in the Table 5.16 below.

Table 5.16 Impact of Organisational Size on prevalence of Organisational Change Practices

(N =67)

Organisational Change Practices	Small Enterprises f (%)	Medium Enterprises f %	Chi Square
Functional Flexibility:			
Use of Consultants	7 (18)	12 (45)	5.760*
Contracting out work previously performed in-house	5 (12)	5 (19)	0.460*
Job Rotation	6 (15)	9 (33)	3.118*
Numerical Flexibility:			
Flexible Work Hours	17 (43)	12 (44)	0.025
Telecommuting/work from home	13 (33)	9 (33)	0.005
Job Sharing	4 (10)	9 (33)	5.372*
Teams:			
Quality problem-solving teams	12 (30)	7 (26)	0.132*
Self-managing work teams	9 (22)	5 (19)	0.155*
Cross Functional Project Teams	2 (5)	4 (15)	1.905*
Quality Initiatives:			
Productivity Improvement plans	17 (43)	11 (41)	0.021
Re-engineering business practices/processes	10 (25)	7 (26)	0.007
Total Quality Management (TQM)	2 (5)	9 (33)	9.430*
Bench Marking	7 (18)	5 (19)	0.011
Best Practice (compared with Canadian organisations)	9 (23)	5 (19)	0.155*
Best Practice (compared with international organisations)	1 (3)	1 (4)	0.081*
Quality Initiatives (such as ISO 9000)	3 (8)	5 (19)	1.861*

* $p \geq 0.05$ ** $p \leq 0.001$

With regard to individual practices, these results show that medium sized firms are more likely than small firms to be involved with Cross Functional Project Teams, Quality Initiatives (such as ISO 9000), Total Quality Management, Contracting Out, Job Sharing and Job Rotation. While small firms are significantly more likely to be involved in Best Practice compared with Canadian organisations and Self Managing Work Teams. There were no significant

differences between small and medium sized enterprises in Flexible Work Hours, and Telecommuting.

The change practices were also considered in the four categories of functional flexibility, numerical flexibility, teams and quality initiatives. The medium sized firms were significantly more likely to adopt all three of the functional flexibility practices while only one of the numerical flexibility practices – that of job sharing – shows a significant positive co-relation to size. The three team related practices all show significant positive relationships to organisational size with small firms more likely to be involved in quality problem solving teams and self managing work teams and medium sized firms more likely to be involved with cross-functional project teams.

In view of the above, H_{10} that there is no significant relationship between organisational size and the prevalence of organisational change practices could be rejected.

5.10.2 Impact of the presence of a Human Resources Manager on the Prevalence of Organisational Change Practices

To determine the answer, the responses to the question relating to the introduction of the organisational change practices were then analyzed by conducting a Chi-square analysis for SMEs that placed an emphasis on human resources to the extent that they had either a designated human resources manager, or a manager with specific responsibility for human resources. Pearson's correlation coefficients were calculated to determine whether the values of the one variable (presence of a human resources manager) were, on average, associated with the second variable (the organisational change practices). Since organisational change practices are frequently directly connected to human resource management practices therefore the following null hypothesis was formulated.

H_{20} There is no significant relationship between the presence of a manager with responsibility for human resources and the prevalence of organisational

change practices

The following table correlates the existence of a manager with responsibility for human resources with the prevalence of organisational change practices.

Table 5.17 Impact of presence of Human Resources Manager on prevalence of Organisational Change Practices

(N =67)

Organisational Change Practices	HR designate f (%)	No HR designate f %	Chi Square
Functional Flexibility:			
Use of Consultants	13 (33)	6 (21)	1.137*
Contracting out work previously performed in-house	6 (15)	4 (14)	.016
Job Rotation	12 (31)	3 (11)	3.773*
Numerical Flexibility:			
Flexible Work Hours	20 (51)	9 (32)	2.432*
Telecommuting/work from home	16 (41)	6 (21)	2.838*
Job Sharing	12 (32)	1 (4)	7.995*
Teams:			
Quality problem-solving teams	12 (31)	7 (25)	0.267*
Self-managing work teams	11 (28)	3 (11)	3.017*
Cross Functional Project Teams	4 (10)	2 (7)	.194*
Quality Initiatives:			
Productivity Improvement plans	20 (51)	8 (29)	3.456*
Re-engineering business practices/processes	13 (33)	4 (14)	3.123*
Total Quality Management (TQM)	10 (26)	1 (4)	5.785*
Bench Marking	8 (21)	4 (14)	.430*
Best Practice (compared with Canadian organisations)	9 (23)	5 (18)	.269*
Best Practice (compared with international organisations)	2 (5)	0 (0)	1.480*
Quality Initiatives (such as ISO 9000)	6 (15)	2 (7)	1.053*

* $p \geq 0.05$ ** $p \leq 0.001$

When considering the practices individually, there is a significant positive

relationship between the presence of a manager with responsibility for human resources and Job Sharing, Total Quality Management (TQM), Job Rotation, Productivity Improvement Plans, Re-engineering business practices/processes, Self managing work teams, Telecommuting/work from home and Flexible Work Hours. Strong positive co-relation also exists for Best Practices (compared with international organisations), Quality Initiatives (such as ISO 9000), Benchmarking, Best Practices (compared with Canadian organisations), Quality-problem-solving teams and Cross Functional project teams. All of the organisational change practices, except Contracting Out, were more likely to be implemented in firms where there was a designated human resources manager or a manager that had specific responsibility for human resources management.

These results are also confirmed when considering the practices in the categories of functional flexibility, numerical flexibility, teams and quality. Two of the three practices relating to functional flexibility are more prevalent in SMEs where a human resources manager is present; all three of the three practices relating to numerical flexibility are more prevalent where a human resources manager is present; all three of the three practices relating to teams are more prevalent where a human resources manager is present and all seven of the seven practices relating to quality are more prevalent where a human resources manager is present. So, overall there is a very strong positive co-relation between the presence of a human resources manager (or a manager with designated responsibility for human resources) and the prevalence of organisational change practices.

Therefore the null hypothesis could be rejected because the results show that there are significant differences between the prevalence of organisational change practices in SMEs with a manager with responsibility for human resources compared to SMEs without a manager with responsibility for human resources.

5.10.3 Impact of the existence of a Strategic Plan on the Prevalence of Organisational Change Practices

To determine the answer, the responses to the question relating to the introduction

of the organisational change practices were then analyzed by conducting a Chi-square analysis for SMEs in which strategic and/or business plans existed. In performing the analysis only the SMEs that responded that they had neither a strategic plan nor a business plan are considered as those in which planning does not exist. Pearson's correlation coefficients were calculated to determine whether the values of the one variable (described as existence of strategic planning) were, on average, associated with the second variable (the organisational change practices). Because organisational change practices are implemented to improve organisational performance and to achieve strategic targets of an organization, the following null hypothesis was formulated to test the relationship between the existence of a strategic plan and the prevalence of organisational change practices.

H₃₀ There is no significant relationship between the existence of a strategic plan and the prevalence of organisational change practices

The results of the analysis are presented in the Table 5.18.

Table 5.18 Impact of the existence of a Strategic Plan on prevalence of Organisational Change Practices

(N =67)

Organisational Change Practices	Strategic Plan f (%)	No Strategic Plan f (%)	Chi Square
Functional Flexibility:			
Use of Consultants	14 (34)	5 (19)	1.742*
Contracting out work previously performed in-house	5 (15)	4 (15)	0.007
Job Rotation	13 (32)	2 (8)	5.281*
Numerical Flexibility:			
Flexible Work Hours	19 (46)	10 (39)	0.402*
Telecommuting/work from home	15 (37)	7 (27)	0.674*
Job Sharing	10 (24)	3 (12)	1.507*
Teams:			
Quality problem-solving teams	12 (29)	7 (27)	0.043
Self-managing work teams	11 (27)	3 (12)	2.251*
Cross Functional Project Teams	5 (12)	1 (4)	1.360*
Quality Initiatives:			
Productivity Improvement plans	18 (44)	10 (39)	.194*
Re-engineering business practices/processes	13 (32)	4 (15)	2.239*
Total Quality Management (TQM)	9 (22)	2 (8)	2.357*
Bench Marking	11 (27)	1 (4)	5.716*
Best Practice (compared with Canadian organisations)	11 (27)	3 (12)	2.251*
Best Practice (compared with international organisations)	2 (5)	0 (0)	1.307*
Quality Initiatives (such as ISO 9000)	6 (15)	2 (8)	.729*

* $p \geq 0.05$ ** $p \leq 0.001$

The survey collected data in relation to the introduction of fifteen organisational change practices and fourteen of these were more likely to be implemented in organisations that had a strategic plan. Once again, only Contracting Out had no significant relationship with strategic planning. There is a very strong positive correlation with the existence of a strategic plan and the adoption of Bench Marking and Job Rotation.

When the results are considered in relation to the four categories of functional flexibility, numerical flexibility, teams and quality initiatives, two of the three practices relating to functional flexibility are more prevalent where a strategic and/or business plan exists; three of the three numerical flexibility practices are more prevalent where a strategic and/or business plan exists; two of the three practices relating to teams are more prevalent where a strategic and/or business plan exists; and seven of the seven quality practices are more prevalent where a strategic and/or business plan exists.

Therefore the null hypothesis can be rejected because the results show that there are significant differences in the prevalence of organisational change practices in SMEs with a strategic and/or business plan compared with the SMEs where there is no strategic and/or business plan.

5.10.4 Impact of Organisational Size on Prevalence of Strategic Changes

Strategic changes and/or redirections are frequently undertaken following analysis of the internal and external environment of individual organisations. The following null hypothesis was formulated to determine whether there was a significant difference between small and medium enterprises and the prevalence of strategic changes.

H₄₀ There is no significant relationship between organisational size and the prevalence of strategic changes

Table 5.19 presents the results of the analysis.

Table 5.19 Impact of Organisational Size on prevalence of Strategic Changes
(N =67)

Strategic Change	Small F %	Medium f %	Chi Square
Change in Product	16 (41)	10 (37)	0.106*
Change in Service	20 (50)	11 (40)	.556*
Restructuring of Work Practices	19 (48)	14 (52)	.122*
New Ownership	10 (25)	1 (4)	5.328*
Management Reorganization	18 (46)	14 (52)	.303*
Change in Management Personnel	19 (48)	19 (70)	3.434*
Unionization	2 (5)	0 (0)	1.392*
Non Unionization	2 (5)	0 (0)	1.392*
New Plant	2 (5)	5 (18)	3.149*
New Equipment	18 (45)	11 (41)	.119*
New Technology	14 (35)	16 (60)	3.836*

* $p \geq 0.05$ ** $p \leq 0.001$

Every one of the strategic changes included in the questionnaire showed significant results in relation to size of the organization. Small firms are more likely to experience Change in Product, Change in Service, New Ownership, Unionization, Non-unionization, and New equipment. Medium firms are more likely to experience Restructuring of Work Practices, Management Reorganization, Changes of Management Personnel, New Plant, and New Technology. However, every strategic initiative showed a high degree of positive co-relationship to size of the SMEs.

Therefore the null hypothesis could be rejected as organization size and strategic changes are showing significant correlations.

5.10.5 Impact of presence of Human Resources Manager on Prevalence of Strategic Changes

The following analysis was undertaken to determine whether there was a significant relationship between the existence of a human resources manager (or a manager with responsibility for human resources) and the prevalence of strategic change. The null hypothesis was formulated.

H₅₀ There is no significant relationship between the presence of a manager with responsibility for human resources and the prevalence of strategic change

The results of the analysis are presented in Table 5.2.

Table 5.20 Impact of presence of Human Resources manager and prevalence of Strategic Changes

(N =67)

Strategic Changes	HR Designate F %	No HR Designate f %	Chi Square
Change in Product	15 (40)	11 (40)	.000**
Change in Service	18 (46)	13 (46)	.000**
Restructuring of Work Practices	20 (51)	13 (46)	.154*
New Ownership	5 (12)	6 (21)	.880*
Management Reorganization	22 (56)	10 (36)	2.798*
Change in Management Personnel	24 (62)	14 (50)	.884*
Unionization	2 (5)	0 (0)	1.480*
Non Unionization	0 (0)	2 (7)	2.871*
New Plant	4 (10)	3 (10)	.004*
New Equipment	18 (46)	11 (39)	.313*
New Technology	19 (49)	11 (39)	.586*

* $p \geq 0.05$ ** $p \leq 0.001$

While there was absolutely no significant relationship between SMEs with and without a human resources designate and Changes in Product and Service, there was a non-significant relationship in regard to New Plant and a significant relationship to the strategic changes of Non-Unionization, Management Reorganization, Unionization, New Ownership, New Technology, New Equipment and Restructuring of Work Practices. Firms with HR designates were more likely to engage in Restructuring of Work Practices, Management Reorganization, Change in Management Personnel, Unionization, New Equipment and New Technology while firms with no HR designate were more likely to have New Ownership and Non-Unionization.

Based on the above table and discussion, the null hypothesis relating to existence

of a human resource manager and prevalence of strategic change could be rejected.

5.10.6 Impact of existence of a Strategic Plan on Prevalence of Strategic Changes

Planned organisational change frequently arises out of formal strategic planning processes and therefore the following null hypothesis was formulated to determine the relationship between the existence of a strategic plan and the prevalence of strategic changes.

H₆₀ There is no significant relationship between existence of a strategic plan and the prevalence of strategic changes

Table 5.21 presents the results and shows the frequency of each strategic change in SMEs with and without a strategic and/or business plan.

Table 5.21 Impact of existence of a Strategic Plan and prevalence of Strategic Changes

(N =67)

Strategic Changes	Strategic Plan f %	No Strategic Plan f %	Chi Square
Change in Product	19 (48)	7 (27)	2.795*
Change in Service	24 (59)	7 (27)	6.396*
Restructuring of Work Practices	25 (61)	8 (31)	5.808*
New Ownership	7 (17)	4 (15)	.033
Management Reorganization	18 (44)	14 (54)	.631*
Change in Management Personnel	24 (56)	14 (54)	.143*
Unionization	2 (5)	0 (0)	1.307*
Non Unionization	0 (0)	2 (8)	3.251*
New Plant	6 (15)	1 (4)	1.979*
New Equipment	20 (50)	9 (35)	1.300*
New Technology	23 (56)	7 (27)	5.477*

* $p \geq 0.05$ ** $p \leq 0.001$

From the above table it is ascertained that there was a significant relationship between strategic changes and existence/non existence of a strategic plan for all of

the strategic changes except for New Ownership which shows no significant relationship.

Changes in Product, Changes in Service, Restructuring of Work Practices, Change in Management Personnel, Unionization, New Plant, New Equipment and New Technology are more likely to occur in SMEs that have a strategic plan, whereas, Management Reorganization, and Non-Unionization are more likely to occur where there was no strategic plan.

Since the data analysis showed the existence of significant relationships, the null hypothesis could be rejected.

5.10.7 Impact of Organisational Size on Work Force Changes

The following null hypothesis was formulated and tested to determine whether there was a significant relationship between organisational size and changes to the work force.

H₇₀ There is no significant relationship between organisational size and changes to the work force

The results are presented in the following Table 5.22.

Table 5.22 Impact of Organisational Size on Changes to the Work Force
(N =67)

	Small f (%)	Medium f (%)	Chi Square
Changes to the Work Force	17 (43)	8 (30)	1.142*

* $p \geq 0.05$ ** $p \leq 0.001$

In fact, a significant relationship existed with small firms being more likely to experience changes in the work force therefore the null hypothesis could be rejected.

5.10.8 Impact of presence of HR Responsibility and Work Force Changes

The following null hypothesis was formulated and tested to determine whether the presence of a human resources manager or a manager with designated responsibility for human resources had a significant relationship with changes in the work force in SMEs.

H₈₀ There is no significant relationship between the presence of a manager with responsibility for human resources and changes to the work force

The results are presented in Table 5.23 below.

Table 5.23 Impact of Presence of Human Resources Manager on Changes to the Work Force

(N =67)

	HR Designate f (%)	No HR Designate f (%)	Chi Square
Changes to the Work Force	16 (41)	9 (32)	.550*

* $p \geq 0.05$ ** $p \leq 0.001$

From the table it can be seen that there was a significant positive relationship between SMEs that have a human resources manager and changes to the work force. The null hypothesis could be rejected.

5.10.9 Impact of existence of a Strategic Plan on Work Force Changes

The following null hypothesis was presented and tested to determine whether there was a significant relationship between the existence of a strategic plan and changes to the work force.

H₉₀ There is no significant relationship between the existence of a strategic plan and changes to the work force

The results are presented in Table 5.24.

Table 5.24 Impact of existence of a Strategic Plan on Changes to the Work Force

(N =67)

	Strategic Plan f (%)	No Strategic Plan f (%)	Chi Square
Changes to the Work Force	17 (42)	8 (31)	.778*

* $p \geq 0.05$ ** $p \leq 0.001$

In fact, SMEs with a strategic plan are more likely to be experiencing changes to the work force. The null hypothesis could be rejected.

5.11 Applicability of Organisational Change Models to SMEs

This research issue was identified as being best addressed in Phase 2 of the primary data collection using interview methodology (refer to Chapter 4, Research Methodology), however, two questions were formulated and included in the questionnaire in relation to the frequency of changes (Appendix 3, Questions 26 and 27).

As shown in Table 5.10 ‘Strategic Changes in the Past Three Years and the Past Year’, Change in Product was reported by 40% of SMEs in the past three years, and 36% in the past year; Change in Service was reported by 48% in the past three years and 40% in the past year; Restructuring of Work Practices was undertaken by 51% of SMEs in the past three years and 36% in the past year. Management Reorganization (49% and 38% respectively) and Change in Management Personnel (58% and 51% respectively) were the two most frequently reported changes by the respondents. New Equipment (45% and 38%), New Technology (46% and 33%) and Changes to the Work Force (38% and 27%) also figure significantly in the frequency of change. New Ownership affected 17% in the past three years but only 7% in the past year, while Unionization/Non-unionization changes were reported by only two firms in the past three years.

From these results, the high rate and pace of changes in SMEs was evidenced.

5.12 Summary of Survey Results

Analysis of the survey results has been provided in the tables and sections above including information relating to the demographic characteristics of SMEs and the owner/manager respondents of SMEs in the RDCO as well as operating characteristics of the firms themselves including the presence of a manager

designated with responsibility for human resources and whether or not strategic and business plans existed. In addition results are presented showing the prevalence of organisational change practices in the past three years and strategic changes in the past year and past three years and changes to the work force in the past three years. Further results are presented showing the most significant change from the SMEs perspective and the objectives pursued in making the change and the extent to which those objectives were achieved as well as the factors influencing strategic change. The prevalence of organisational change practices, strategic changes and changes to the work force have been presented in relation to the demographic variables of organisational size, presence of a human resources manager and existence of strategic and/or business planning. The survey results have been presented in relationship to the research questions.

The results presented have shown these SMEs to be very regionally focused, non-franchised and non-exporting. The great majority of the respondent organisations have been in existence for more than ten years. The individual respondents held high levels of responsibility within the firms and young, male managers with an ownership interest predominated. Most of the firms had a manager with responsibility for human resources but no human resources department. Strategic and business planning was reported to have been undertaken by the majority of the SMEs and they reported that they changed their practices to meet the objectives outlined in these plans.

Overall, there was growth in all employment categories with a strong increase in full time employment.

There was no evidence to show that SMEs are embracing organizational change practices to anything above a moderate level, with those practices relating to numeric flexibility being more in evidence than those that relate to teams and quality initiatives.

Strategic changes have occurred with a high degree of frequency over the past

three years with change in management personnel reported as the most frequently occurring type of change experienced by SMEs in the RDCO. The restructuring of work practices, new equipment, new technology, management reorganization, change in product, change in service and changes to the work force were also strongly in evidence along with a noticeable lack of presence of unionization/non-unionization.

A relationship was shown to exist between the internal organisational characteristics of size, presence of a human resources manager and existence of strategic and/or business planning with the prevalence of organisational changes, the introduction of strategic changes and changes to the work force.

The next section reports the results from the in-depth interviews.

5.13 In-Depth Interview Results

Ten firms that complied with the adopted definition of SMEs were selected from those that volunteered to participate in the interview phase of the primary research. With the adopted definition being firms that employ between 20 and 200 people (Section 2.2.2) this encompassed two of the employment categories reported in the economic structure of the RDCO. Therefore five of the firms have between 20 and 50 employees and five of them have between 51 and 200 employees. Further, in accordance with the research methodology presented in Chapter 4, the ten firms were selected to represent the overall economic structure of the RDCO (Table 4.4).

5.13.1 Organisational Change in SMEs – Interview Data

The primary purpose of the interviews was to address the following research question.

RQ 7 - Is the current situation of SMEs in the RDCO conducive to meeting the economic expectations being placed on them?

This research question was further subdivided into the following seven sub-research questions.

RQ7a. Are SMEs in the RDCO considered unique compared with large businesses?

RQ7b. What events have created the greatest opportunity for SMEs in the RDCO in recent years?

RQ7c. What events have created the most serious threat to SMEs in the RDCO in recent years?

RQ7d. Do SMEs in the RDCO project growth in the size of your business in the future in regard to sales?

RQ7e. Do SMEs in the RDCO project future growth in the size of the workforce?

RQ7f. Do SMEs in the RDCO expect to be able to deliver on the expectations that government has placed on them as drivers of economic growth?

RQ7g. Are there specific regulatory changes that could stimulate economic performance of SMEs in the RDCO?

The firms interviewed reflected the economic structure of the RDCO in that each of the ten most prominent NAICS categories was represented. The demographic characteristics of the firms interviewed are shown in the following table including NAICS industry code, employment size category, and whether or not the interviewed SMEs have a manager with designated responsibility for Human Resources and a Strategic Plan and a Business Plan.

Table 5.25 Characteristics of Interviewed SMEs

Firm Descriptors	NAICS Industry Code	Size*	Designated HR Responsibility	Business Plan	Strategic Plan
1 Construction Medium	23 Construction	Medium	No	Yes	Yes
2 Manufacturing Medium	31-33 Manufacturing	Medium	No	Yes	Yes
3 Wholesale Medium	41 Wholesale Trade	Medium	Yes	Yes	Yes
4 Retail Small	44-45 Retail Trade	Small	Yes	Yes	Yes
5 Agriculture Small	11 Agriculture	Small	No	No	No
6 Information Medium	51 Information	Medium	No	Yes	Yes
7 Health Small	62 Health and Social Services	Small	Yes	Yes	Yes
8 Professional Small	54 Professional Scientific and Technical	Small	No	No	Yes
9 Food Small	72 Accommodation and Food Services	Small	No	Yes	No
10 Administrative Medium	56 Administrative and Support	Medium	Yes	No	No

*Small = 20 to 50 employees and Medium = 51 to 200 employees

The ten firms represented ten different industry classifications and size categories are indicated with five meeting the adopted definition of small (20- 50 employees) and five meeting the adopted definition of medium (50-200 employees).

In the tables and analysis that follows the SMEs will be identified by industry sector and size as shown in the first column of Table 5.25 therefore they will be described as Agriculture Small, Construction Medium, Manufacturing Medium, Wholesale Medium, Retail Small, Professional Small, Administration Medium,

Health Small, Food Small and Information Medium. This is a key to all tables and discussion resulting from the in-depth interviews.

Only four of the ten have a specialist human resources manager (wholesale medium, retail small, health small and administration medium). Seven out of ten have a business plan and seven have a strategic plan (Agriculture Small and Administration Medium have neither a business nor a strategic plan while Professional Small has a strategic plan but no business plan and Food Small has a business plan but no strategic plan).

Firstly, the responses by the ten SMEs interviewed are presented in the following table to assess whether there is a difference in response to the interview questions relative to size of the organization.

Table 5.26 Response to Interview questions by SME size

Interview Question	20-50 n=5	51-200 n=5
Are SMEs unique?	(5) Yes Agriculture Small Retail Small Professional Small Health Small Food Services Small	(5) Yes Construction Medium Manufacturing Medium Wholesale Medium Administrative Medium Information Medium
Projected Revenue Growth	(5) Yes Agriculture Small Retail Small Professional Small Health Small Food Services Small	(5) Yes Construction Medium Manufacturing Medium Wholesale Medium Administrative Medium Information Medium
Work force growth – in one year	(4) Yes Agriculture Small Retail Small Health Small Food Services Small (1) No Professional Small	(4) Yes Construction Medium Manufacturing Medium Wholesale Medium Administrative Medium (1) No Information Medium
Work Force growth – in 3 to 5 years	(4) Yes Agriculture Small Retail Small Health Small Food Services Small (1) No Professional Small	(4) Yes Construction Medium Wholesale Medium Administrative Medium Information Medium (1) No Manufacturing Medium
Do SMEs have the capacity to deliver on expectations as drivers of economic growth	(1) Yes Retail Small (4) Perhaps but see obstacles Agriculture Small Professional Small Health Small Food Services Small	(1) Yes Wholesale Medium (4) Perhaps but see obstacles Construction Medium Manufacturing Medium Administrative Medium Information Medium
Regulatory change that would provide a boost to SMEs	(2) Possibly Food Services Small Agriculture Small (3) Not really Retail Small Professional Small Health Small	(1) Possibly Administrative Medium (4) Some advantages with regulation Construction Medium Manufacturing Medium Wholesale Medium Information Medium

The above data table demonstrates the fact that the responses to the interview questions for the firms categorized as small are very similar to the responses to the firms categorized as medium. In fact, only one question (the one relating to a regulatory change that would provide an impetus to the business) has any variation in response.

Because there was a strong similarity between the responses provided by the small organisations to the responses provided by the medium sized enterprises in the sample, the analysis was undertaken on the ten firms in aggregate.

5.13.2 Unique Characteristics of SMEs

The in-depth interviews were conducted to gain an emic view of SMEs in the RDCO and particularly to collect first-hand perspectives on SMEs as unique in their own right, not simply scaled-down versions of bigger businesses. A further objective was to gain a better understanding of how SME owner/managers view themselves in relation to the five themes of resources, markets, flexibility, leadership and structure. Comments from the interviews have been sorted in relation to these five themes and are presented accordingly in the following sections.

5.13.2.1 Resources

The following responses were provided by the owner/managers of SMEs in relation to the resource characteristic of SMEs.

Table 5.27 Unique Characteristics – Resources

Resource Characteristics	Comments from Interviewed SMEs relevant to Resources
<ul style="list-style-type: none">Human Resources	<p>Everyone in the SME has two or three jobs, people wearing two or three ‘hats’. (Manufacturing Medium)</p> <p>In SMEs you just cannot assign one person, one task. (Administration Medium)</p> <p>People frequently have to multi-task in order to survive. If formal job descriptions existed in our SME, there would be deviations from them every day. (Information Medium)</p> <p>Leaders of SMEs have a closer relationship with employees. (Retail Small)</p>
<ul style="list-style-type: none">Financial Resources	<p>SMEs usually do not have the same level of financial and other resources that large organisations have access to deal with challenges as they arise. (Wholesale Medium)</p>
<ul style="list-style-type: none">Overall Limitations	<p>Even when SMEs try to model themselves after big business, they do not have the resources to totally emulate what they see. (Information Medium)</p> <p>Physical, financial and human resources create limitations. (Manufacturing Medium)</p>

SMEs acknowledge the resource limitations specifically in the areas of human resources and financial resources as well as overall limitations. These comments confirm that resource limitations affect daily operations of SMEs as well their ability to deal with challenges as they arise.

5.13.2.2 Markets

The comments below are extracted from the interview data and are market-related.

Table 5.28 Unique Characteristics – Markets

Market Characteristics	Comments from Interviewed SMEs relevant to Markets
<ul style="list-style-type: none">• Closeness to Market	SMEs are able to really know their customers. (Food Small) They have close contact with their market and are able to be in tune with the customers' needs (Retail Small)
<ul style="list-style-type: none">• Impact of Market Growth	Market share influences the structure of the company. (Manufacturing Medium) A new contract for \$20 million can be accommodated by a big business, but for an SME may suddenly require huge growth. (Wholesale Medium)

The advantage of being close to customers was commented on as a distinct advantage for SMEs. Commentary also covered the significant influence that market has on the SMEs structure and the huge impact that a growing market or securing of large contracts can have on the organization. These comments confirm the unique relationship that SMEs have with their markets which has potential advantages as well as disadvantages.

5.13.2.3 Flexibility

The following comments from the interviews relate to the flexibility of SMEs.

Table 5.29 Unique Characteristics – Flexibility

Flexibility Characteristics	Comments from Interviewed SMEs relevant to Flexibility
<ul style="list-style-type: none">• Flexible Size	Sometimes SMEs have to shrink a little, and in planning for growth need to take risk under control because a small mistake can have very big consequences. (Manufacturing Medium)
<ul style="list-style-type: none">• Flexible Decision Making	SMEs are able to make cleaner, faster decisions. (Retail Small) They also may not always have to be quite so concerned with their public image. SMEs are way more flexible than big business. (Agriculture Small)
<ul style="list-style-type: none">• Flexible Management	In SMEs you are more nimble, you can react to people that work with you or your clients. SMEs are way more in tune with their local economy. Even when a particular policy has been developed, if someone explains their particular circumstances, the policy can be adapted whereas in a big business, the policy also holds firm, or they may say now we will have a flexibility policy. (Professional Small)

The SME owners/managers who were interviewed clearly articulated the flexibility of the SME and all comments were presented as positive aspects in relation to size, decision-making and management. They considered these as real advantages for their organisations in comparison with large organisations.

5.13.2.4 Leadership

SME owner/managers who participated in the interviews had a range of comments relating to leadership in SMEs. The views expressed are summarized in Table 5.30.

Table 5.30 Unique Characteristics – Leadership

Leadership Characteristics	Comments from Interviewed SMEs relevant to Leadership
<ul style="list-style-type: none"> • Entrepreneurial 	<p>SMEs are more entrepreneurial than large organisations – frequently driven by an individual or group of individuals, who may or may not have the same management expertise or the same group of skills that a large organization would be able to access. (Wholesale Medium)</p>
<ul style="list-style-type: none"> • Close involvement 	<p>Owner makes the final decision. (Construction Medium) (Agriculture Small)</p> <p>Leader is more frequently hands-on in the SME. They have close contact with their market and are able to be in tune with the customers’ needs and have a closer relationship with employees. (Retail Small)</p> <p>The owner is frequently more involved with manager and clients and sees first hand the requirements of the business. (Professional Small)</p>
<ul style="list-style-type: none"> • Organisational Culture 	<p>The personality of the founder of the SME frequently stays embedded in the culture even as the business grows. (Professional Small)</p>
<ul style="list-style-type: none"> • Range of Involvement 	<p>Leadership plays a pivotal role in SMEs including discussion relating to strategic planning and reaction to changes as well as the importance of communication of expectations to other team members. (Wholesale Medium)</p> <p>Leaders are really directly involved in every facet of the business – legal, financial and operational. (Administration Medium)</p>

The comments related to the entrepreneurial style, close involvement with operations of the SME, impact on organisational culture and full range of involvement of leadership.

5.13.2.5 Structure

Organisational structure was addressed by the SME owners/managers, and the following comments have been extracted to demonstrate the strength of this theme.

Table 5.31 Unique Characteristics – Structure

Structural Characteristics	Comments from Interviewed SMEs relevant to Structure
<ul style="list-style-type: none">• Organisational Structure	<p>SMEs do not have the same systems and processes in place. SMEs are definitely unique - they are not just a smaller version of big business. Sometimes they model themselves after big business. (Information Medium)</p> <p>Market share influences the structure of the company. (Manufacturing Medium)</p>
<ul style="list-style-type: none">• Organisational Procedures	<p>The need for policy, formality and structure develops as the SME grows – it just does not have to be there when everyone knows what is expected of them. Need to add policy manuals, supervisory levels and administrative procedures as the SME grows. (Professional Small)</p>

In summary, these comments demonstrate that less formal processes are a feature of the organisational structure of SMEs and that the need for formalizing policy and procedures was required as an organisation grows.

Are SMEs unique? Certainly the comments from the owner/managers of SMEs in the interviews provide validation of the unique characteristics of SMEs and an affirmative answer to RQ7a. Are SMEs in the RDCO considered unique compared with large businesses? From the insiders' perspective, the answer was yes.

5.13.3 Greatest Opportunity for SMEs

In discussing the greatest opportunity for each SME in the individual interviews, the following information was gathered.

Table 5.32 Greatest Opportunity for SMEs

Opportunity	Comments from Interviewed SMEs relevant to Greatest Opportunity
<ul style="list-style-type: none"> Market Opportunities 	Large construction projects financed by Government (Construction Medium) Marketing at trade shows (Manufacturing Medium) Awarded a large contract (Wholesale Medium) Market growth due to aging demographic (Retail Small) Positive relationship with government and funding increases (Health Small) Accessing government contracts (Administration Medium)
<ul style="list-style-type: none"> Change in Ownership 	Capital investment due to change in ownership (Information Medium)
<ul style="list-style-type: none"> Government Regulation 	Change in government and the regulations related to the business (Food Small)
<ul style="list-style-type: none"> Regional Appeal 	Qualified and experienced professional seeking Okanagan lifestyle (Professional Small)

(Note – No opportunity was identified by Agriculture Small)

A total of six of the interviewees responded that market changes provided the greatest opportunity for their business. One SME identified their recent change in ownership and injection of resources and one identified the appeal of the geographic region and its ability to attract skilled and knowledgeable human resources. In total, the opportunity identified by four of the SMEs related to Government – three of them to government funding of projects within their operational area and categorized as market opportunities and one identified a change in government regulation.

RQ7b. What events have created the greatest opportunity for SMEs in the RDCO in recent years?

From the information provided, the response to this research question was clear. Changes to the market and specifically those connected with government funding have provided the greatest opportunities in recent years. Regional appeal and ownership changes have also able provided opportunity.

5.13.4 Most Serious Threat to SMEs

All ten of the SMEs interviewed articulated a serious external event that threatened their business.

Table 5.33 Greatest Threat to SMEs

Threat	Comments from Interviewed SMEs relevant to Greatest Threat
<ul style="list-style-type: none"> Technology 	Technological advance that made products accessible in alternative ways (Information Medium)
<ul style="list-style-type: none"> Suppliers 	Materials market - Crude oil pricing and related forward contracts (Manufacturing Medium) Labour market - Succession Issues (Professional Small) Labour market - Union negotiations (Health Small)
<ul style="list-style-type: none"> Regulatory Environment 	Change in government regulations (Food Small)
<ul style="list-style-type: none"> Markets 	Market demand for products subsequent to September 11 terrorism attacks triggered substantial working capital and cash flow pressures (Wholesale Medium) Change in government and funding of capital projects (Construction Medium)
<ul style="list-style-type: none"> Increasing Competition 	Competitors moving into the market (Retail Small) Contract expiry and re-tendering (Administration Medium)
<ul style="list-style-type: none"> Regional Environment 	Weather and pests (Agriculture Small)

While the threats ranged from change in provincial government, the September 11 terrorist attacks, new competition entering the market, climatic environment, technological changes, union negotiations, succession issues, and contract renewal they can be categorized into the external forces for change of technological advances, supplier requirements, the regulatory environment and increasing competition. The union negotiations and succession issues have been categorized as supplier issues in that they arise from the labour market. The importance of the regional context was discussed in Section 2.3.2 and the SME engaged in agriculture was certainly more vulnerable to the specific geographic environment than the SMEs engaged in the other industry classifications.

RQ7c. What events have created the most serious threat to SMEs in the RDCO in recent years?

The greatest threats came from the external environment – technological change, customer expectations, supplier requirements, the regulatory environment, increasing competition and physical climate.

5.13.5 Revenue Growth

The interviewed SMEs were asked whether they expected their revenues to grow in the future and their responses are presented in Table 5.34.

Table 5.34 SMEs Growth Projections - Revenues

Revenue Growth	Comments from Interviewed SMEs
<ul style="list-style-type: none"> • Yes 	Economy of British Columbia growing (Construction Medium) Company revenues should double (Manufacturing Medium) Three year contract guarantees growth (Wholesale Medium) Growth expected over next couple of years (Information Medium) Growth expected due to aging population (Retail Small) City is growing therefore we will grow (Professional Small) Definitely yes - growing client base for our services (Health Small) Planning for growth (Administration Medium)
<ul style="list-style-type: none"> • Uncertain 	Market growth projected – market share difficult to project due to long lead times (Agriculture Small) Hoping for growth (Food Small)

Eight of the ten SMEs interviewed definitively projected revenue growth, and the other two also said yes they did expect growth, but expressed a degree of uncertainty. The reasons for the positive outlook on revenue growth projections are based on the overall positive economic environment in the Province and the region, to the changing population demographic, and the securing of longer term contracts.

RQ7d. Do SMEs in the RDCO project growth in the size of your business in the future in regard to sales?

The answer from this group was a resounding yes.

5.13.6 Employment Growth Projections

Since the government expectation for SMEs to be economic drivers is largely in terms of job creation, the questions relating to projected employment growth are tied directly to the ability to deliver on the expectation.

Table 5.35 SMEs Growth Projections - Employment

Employment Growth	Comments from Interviewed SMEs
<ul style="list-style-type: none"> • Yes 	No question – more jobs but a skills shortage (Construction Medium) Doubling of revenues requires 90% growth in employment (Manufacturing Medium) Employment growth of 20% expected next year – then stable (Wholesale Medium) Nothing for next year – after that steady growth (Retail Small and Information Medium) Definitely yes – business is employee intensive (Health Small) Looking for three employees right now (Professional Small) Maybe 3 – 4 more next year (Food Small)
<ul style="list-style-type: none"> • No 	No overall growth – continued seasonal fluctuations (Agriculture Small)
<ul style="list-style-type: none"> • Uncertain 	Currently under consideration (Administration Medium)

Eight of the ten SMEs interviewed projected employment growth in the next year and they tied the employment growth to increased revenues. The two that did not project job creation considered seasonal fluctuations (agriculture small) and changing operational structure (administration medium) as reasons why they may not be creating more employment opportunities. Projections ranged from slow but steady growth to doubling of employee numbers.

RQ7e. Do SMEs in the RDCO project future growth in the size of the workforce?

There was only one firm that did not expect employee numbers to grow and one firm that had the issue under advisement. Eight out of ten firms projected growth in the size of their workforce – so, yes, SMEs in the RDCO are projecting employment growth.

5.13.7 Outlook for Economic Growth

The SMEs were also asked for their views on the ability of SMEs to deliver on the expectation that they become the drivers of economic growth. The following table presents their responses.

Table 5.36 SMEs as Drivers of Economic Growth

Economic Growth	Comments from Interviewed SMEs
<ul style="list-style-type: none"> • Yes 	<p>SMEs should be able to deliver in the retail sector (Retail Small)</p> <p>SMEs should be drivers of economic growth in this region (Information Medium)</p> <p>The health sector has room for the SME – and there are international examples of how well it can work (Health Small)</p>
<ul style="list-style-type: none"> • No 	<p>After 21 years in business – does not look possible – it is more difficult to start a business today than it used to be (Construction Medium)</p> <p>Large operators are driving out small operators - does not look possible (Agriculture Small)</p>
<ul style="list-style-type: none"> • Uncertain 	<p>SMEs are nimble – can change and adapt so probably possible but large business has the economy of scale advantage (Manufacturing Medium)</p> <p>Difficult to say – does not think of this SME that way – but could be (Wholesale Medium)</p> <p>Entrepreneurial nature of SMEs should generate growth but large businesses will also prosper in strong economies (Professional Small)</p> <p>Hope so – but it is going to be tough to do (Food Small)</p> <p>Need government support if those expectations are going to be met (Administration Medium)</p>

While SMEs of the RDCO are generally optimistic about expanded revenues (Section 5.13.5) and increased employment levels (Section 5.13.6), they are less optimistic about the ability of SMEs to drive economic growth. The views expressed in the interviews show that SMEs are not really that confident that they can meet those expectations with five firms expressing a great deal of uncertainty. The uncertain view was due to economies of scale being available to large manufacturers and not to SMEs, the lack of government support for SMEs, the fact that small, medium and large businesses should all do well in a strong economy. The reasons cited by the two SME owner/managers for their negative response include the current environment being more difficult for businesses starting up, and the buyout of small operators by large operators. The three that

believed it would be possible considered the entrepreneurial capacity of SMEs, the competitive advantage of smaller size in service delivery and the overall situation in the regional economy.

RQ7f. Do SMEs in the RDCO expect to be able to deliver on the expectations that government has placed on them as drivers of economic growth?

Only three out of the ten SMEs interviewed expect it will be possible for SMEs to deliver on the expectations being placed, five expressed uncertainty and two said they did not think it was possible. There was no clear consensus on the ability of SMEs to become the drivers of economic growth.

5.13.8 Regulatory Change

Because regulatory constraints have been frequently cited as constraining growth of SMEs, the ten interviewees were specifically asked to identify a regulatory change that would provide a significant boost to their operations. The results are presented in the following table:

Table 5.37 Regulatory Changes - Impact on Ten SMEs

Response Categories:	Comments:
Yes – four interviewees identified regulatory change that would assist their firm	<ul style="list-style-type: none"> • Reduce paperwork (Construction Medium) • Standardize regulations across Canada (Wholesale Medium) • Specific regulatory change would provide operational benefits (Information Medium) • SMEs should be advising Government (Administration Medium)
No – four interviewees could not identify a regulatory change that would assist their organization	<ul style="list-style-type: none"> • Big and small firms are regulated the same (Retail Small) • Regulations in operational area are good for workers and for clients (Health Small) • All firms regulated the same so SMEs would not benefit specifically (Food Small) • Not aware of any change that would provide benefits (Agriculture Small)
Regulation actually benefits SME – two firms were operating in areas that benefited from Government regulations	<ul style="list-style-type: none"> • In particular operational niche, revenues increase with regulation (Manufacturing Medium) • Operational area benefits from regulation – ‘more red tape the better’ (Professional Small)

The responses to this question are quite unexpected. Two SMEs actually said that regulations helped their operations, four said there that there was no specific change that would be of benefit and of the four that said regulatory change could be beneficial, only one had a very specific response to reduce paperwork (construction medium) and one called for standardization across Provinces to reduce inter-provincial trade barriers (wholesale medium).

RQ7g. Are there specific regulatory changes that could stimulate economic performance of SMEs in the RDCO?

No – there was no clear answer here for specific regulatory changes.

5.13.9 Interview Results relative to Proposed New Model

In Chapter 3, the Literature Review on Organisational Change, the argument was presented that existing models of organisational change do not specifically accommodate the unique characteristics of SMEs and the draft for a new conceptual framework was also presented. Therefore the research question relating to the appropriateness of the proposed new framework was formulated in Chapter 4 as follows.

RQ8. Is the proposed conceptual framework of Organisational Change in SMEs appropriate to SMEs in the RDCO?

This research question has also been further subdivided to address each component of the proposed conceptual framework, as follows.

RQ 8 a In relation to the Unique Characteristics of SMEs

RQ 8 b In relation to the Tools for Change

RQ 8 c In relation to the Forces for Change

RQ 8 d In relation to the response by leadership

RQ 8 e In relation to implementation of the tools of change

RQ 8 f In relation to the impact of change on organisational effectiveness

RQ 8 g In relation to the pace of change – no time to refreeze

RQ 8 h In relation to the continual process

RQ 8 i In relation to internal changes

Prior to presentation of the results from the focus group which was held for the primary purpose of validation of the proposed model, data from the interviews that was relevant to the components and processes of the model is also presented.

5.13.2.5 Forces for Change – Interview Data

Recent changes described by the owner/managers of the SMEs who were interviewed are presented in Table 5.38. The drivers of each change were identified and categorized into the five forces for change - technology, markets, increasing competition, regulatory changes and customer expectations to provide preliminary confirmation on the forces for change that were included in the preliminary version of the proposed new model of Organisational Change in SMEs presented in Chapter 3 (Figure 3.1).

Table 5.38 External Forces for Change from Interviewed SMEs

Forces for Change:	Examples from Interviews:
Technological Advances	<ul style="list-style-type: none"> • Availability of electronic funds transfer (Retail Small) • On-line banking (Agriculture Small) • Continual changes to computer technology (Construction Medium) • Huge changes with computerization of business record keeping (Health Small) • Electronic file transfer allows wider consultation on problem areas (Professional Small) • Telecommuting now possible (Professional Small)
Customer Expectations	<ul style="list-style-type: none"> • Customers expect advanced applications therefore firm must become proficient in the new applications (Professional Small) • Customer expectations for quality – tolerances for a new customer way beyond anything previously produced (Manufacturing Medium) • Customers expect electronic forms of payment (Retail Small)
Supplier Requirements	<ul style="list-style-type: none"> • Employees sent for training to gain competence in new types of equipment (Construction Medium)
Regulatory Environment	<ul style="list-style-type: none"> • Privacy regulations came into effect for most organisations in British Columbia on January 1, 2004 (Professional Small) • New regulation within the particular industry is currently under consideration (Information Medium)
Increasing Competition	<ul style="list-style-type: none"> • The ‘right’ price in the market – frequently means the lowest price therefore firm always striving to gain competitive advantage (Construction Medium) • Big challenge to prepare for where the market is going (Wholesale Medium) • Markets change (supply and demand forces) and searching for new customers is always a challenge (Manufacturing Medium)

Examples of recent changes included one that was driven by both customer expectations and technology combined (**Retail Small**), while technological changes to banking and account payment (**Agriculture Small**), the accounting system using technological advances (**Health Small**) were mentioned as examples

of recent changes that were driven by the ‘Technological Advances’ force for change.

Customer expectations for quality (Professional Small), service (Manufacturing Medium) and advanced applications (Professional Small) were changes described that have been driven by ‘Customer Expectations’. When suppliers require technical competence in the SME prior to supplying their products, employees are trained in the installation of the new equipment (Construction Medium). This change is an example of one driven by ‘Supplier Requirements’. The far-reaching privacy regulations newly legislated in the Province of British Columbia (Professional Small) and the regulatory change relating to content requirements (Information Medium) both have been categorized as driven by the ‘Regulatory Environment’ force for change. Finally, ‘Increasing Competition’ has been designated as the applicable force for change for the examples given of seeking competitive advantage due to pressure on pricing (Construction Medium), anticipating the future demands of the market (Wholesale Medium) and challenges provided by supply and demand (Manufacturing Medium). Since all of the changes cited can be classified into the five categories described as the Forces for Change in the proposed model this provided preliminary validation for the inclusion of the five ‘Forces for Change’.

5.13.2.6 Continual Process of Change – Interview Data

The interviewed SMEs emphasised the continual process of change that their businesses faced. The relevant comments are presented in Table 5.39.

Table 5.39 Continual Process of Change in SMEs

Comments from Interviewed SMEs
<ul style="list-style-type: none">- Changing technology and changing expectations for work-life balance require looking at new ways to get the job done all the time. Things don't stay static for very long. (Professional Small)- Changes happen hourly, daily and yearly. Events occur that force changes to priorities. Things constantly change. (Food Small)- Changes are encountered on a monthly basis (Information Medium)- Resources are continually undergoing changes plus there is the ever-changing computer world (Agriculture Small)- Planned change considered in regard to premises – operations affected when tenders are awarded – always evolving and changing (Administration Medium)- Pace of change needs real consideration – particularly challenged by transfer of learning after employees are sent on training courses to get changes implemented (Manufacturing Medium)

The comments from the interviewed SMEs related to the incessant nature of change. Organisational change presents a continual challenge – timing (daily, weekly monthly), planned (new premises) and unplanned (hiring after gearing down), and required creative ways to deal with the challenges since organisations are just not being static for very long. This interview data provides confirmation that the continual nature and pace of change need to be accommodated in the model.

The next section presents the results from the focus group in consideration of all of the components and processes presented in the proposed model.

5.14 Focus Group – Validation of the Proposed Model

The primary purpose of the focus group was to validate the proposed new model for Organisational Change in SMEs. The preliminary version of the proposed model was presented in Chapter 3 (Figure 3.1) and the revised and refined version has been presented in Chapter 6 (Figure 6.1). The results from the focus group are presented in this section in relation to Research Question 8 and the related sub-research questions.

RQ8. Is the proposed conceptual framework of Organisational Change in SMEs appropriate to SMEs in the RDCO?

RQ 8 a In relation to the Unique Characteristics of SMEs

RQ 8 b In relation to the Tools for Change

RQ 8 c In relation to the Forces for Change

RQ 8 d In relation to the response by leadership

RQ 8 e In relation to implementation of the tools of change

RQ 8 f In relation to the impact of change on organisational effectiveness

RQ 8 g In relation to the pace of change – no time to refreeze

RQ 8 h In relation to the continual process

RQ 8 i In relation to internal changes

The ten participants in the in-depth interviews were invited to participate in the focus group that was held to validate the proposed new model of Organisational Change in SMEs. These owner/managers were asked to consider each aspect of the proposed model individually and complete the appropriate section of the focus group questionnaire (Appendix 6) following the discussion of each component. Seven of the ten owner/managers of SMEs who participated in the interviews completed the focus group questionnaire. They were aware of the preliminary version of the model from the in-depth interviews and with the aid of a power point presentation in the focus group meeting were engaged in a discussion of the applicability of the framework to their SMEs and recorded their views on the questionnaire. In the design of this component of the research, it was determined that six positive responses would be required to consider components validated. The responses are summarized in Table 5.40.

Table 5.40 Validation of Components of Model

(N=7)

Unique Features of SMEs	Very Appropriate f (%)	Mostly Appropriate f (%)	Not Appropriate f (%)
Leadership	7(100)	0 (0)	0 (0)
Resources	4 (57)	3 (43)	0 (0)
Markets	5 (71)	2 (29)	0 (0)
Flexibility	6 (86)	1 (14)	0 (0)
Structure	3 (43)	4 (57)	0 (0)
Tools for Change			
Organisational Change Practices	2 (33)	4 (67)	0 (0)
Human Resource Practices	5 (71)	2 (29)	0 (0)
Strategic Planning	7 (100)	0 (0)	0 (0)
Strategic Changes	6 (86)	1 (14)	0 (0)
Organisational Structure	2 (29)	5 (71)	0 (0)
Business Process and Operational Changes	6 (86)	1 (14)	0 (0)
Forces for Change			
Technological	7 (100)	0 (0)	0 (0)
Customer Expectations	5 (71)	2 (29)	0 (0)
Supplier Requirements	2 (29)	5 (71)	0 (0)
Regulatory Changes	5 (71)	2 (29)	1 (14)
Increasing Competition	6 (86)	1 (14)	0 (0)
Five Steps			
Leadership plans or reacts	6 (86)	1 (14)	0 (0)
Leader implements the tools for change	5 (71)	2 (29)	0 (0)
Impact on Organisational Effectiveness	5 (71)	2 (29)	0 (0)
Evaluation and Feedback	5 (71)	2 (29)	0 (0)
Face new forces – return to Step One	5 (83)	1 (17)	0 (0)
Other Elements			
Pace of Change	6 (86)	1 (14)	0 (0)
Continual Process	5 (71)	2 (29)	0 (0)
Internal Changes	4 (57)	3 (43)	0 (0)

5.14.1 Unique Characteristics of SMEs

Participants were first asked to consider the unique features of SMEs and they are 100% in agreement that leadership should be considered as a unique feature of SMEs. The other four unique features – resources, markets, flexibility and structure are considered to be either very appropriate or mostly appropriate by all participants. No one considered any of the features to be not appropriate.

Therefore the results are accepted as validating the unique features of SMEs as a component of the model.

Individual additional comments emphasised the impact that ownership has on leadership and on organisational culture and how the culture within the organization can also affect attitude towards change. It has been considered that these observations are encompassed within the leadership characteristic and therefore no new features have been added.

5.14.2 Tools for Change

In considering the Tools for Change component of the model, none of them were considered to be inappropriate. Strategic Planning receives 100% endorsement. Organisational Change practices and Organisational Structure had a majority of responses in the ‘Mostly Appropriate’ category.

The individual responses to whether there should be other tools for change include comments on employee teams, problem solving communication, mechanisms that focus people to talk, team and coaching techniques, management training on leadership, supervisory skills and people skills, quality evaluation and risk management. Since these broadly fall under the Organisational Change and Human Resource practices category of tools for change they are interpreted as further validation of those two categories rather than new categories. With none of the tools being described as not appropriate, all are considered to be validated for the purpose of the model.

5.14.3 Forces for Change

The responses in consideration of the Forces for Change are summarized in this section.

The inclusion of technology as a force for change was viewed as very appropriate by all participants. Increasing competition also has very strong support. The response to regulatory change was interesting – while 71% categorized it as very

appropriate, one participant designated it as not appropriate. Supplier requirements were viewed as mostly appropriate by the majority of the participants with only two recording them as very appropriate. The participants discussed the fact that the general economic environment frequently provides an impetus to change – some of which can be categorized as increasing competition. However, a generally positive economic outlook translates to a generally positive environment for SMEs. Succession issues were discussed and consensus reached that leadership and internal changes provided adequate coverage.

The combination of the responses in the very appropriate and mostly appropriate categories provides adequate justification to consider all of the forces for change to be validated for the purposes of the new model.

5.14.4 Five Steps in the Proposed Model

The five steps presented in a circular flow around the model were considered. In all cases at least five participants agreed that the steps were very appropriate – with six supporting the leadership intervention. None of the steps was considered to be not applicable to their firm by any of the SME owner/managers involved and therefore the five steps are accepted as validated for the purpose of the new model of change for SMEs.

5.14.5 Other Elements of the Model

Finally, the other elements of the model were considered. These relate to the pace of change, the continual process of change, and internally generated changes.

The pace of change was considered to be very appropriate by 86% of the participants and the continual process of change to be very appropriate by 71% of the respondents. There was more of a split between very appropriate (57%) and mostly appropriate (43%) on the internal changes.

Additional elements discussed by the focus group included the influence that people in their individual regional environment have on organisational change. If

people have not been involved in a lot of individual change, they may not embrace organisational change as easily as if they had more experience with change. The group recommended removing the word, 'refreeze' from the model and replacing it with 'continual process' instead. This recommendation has been adopted.

Since none of the SME owner/managers viewed the elements of pace of change, continual change and internal change as not applicable to their organisations, these additional elements are considered to be validated for the purpose of the model.

5.14.6 Survey Results Relative to the Proposed New Model

In addition to the comments from the interview participants, the pace-of-changes indicated by the respondents to the survey were very relevant. The summary provided in Table 5.10 Strategic Changes in the Past Three Years and the Past Year also indicates the high rate and pace of change. Changes in Management Personnel represent the most dominant change and are internally generated. The next most frequently engaged strategic changes are Change in Product and Change in Service which are externally driven by market forces and/or introduced as an implementation component from strategic planning.

The results of the analysis and the testing of the null hypotheses on the relationship between organization size, existence of a strategic plan and presence of a human resources manager and introduction of strategic changes, organisational change practices and changes to the work force provide additional validation for the inclusion of internal changes because many changes were more likely to occur in situations where there was an emphasis on human resources and strategic planning was in place. Some changes were more likely to occur for small firms, and some more frequent in the medium sized firms.

The proposed new model of Organisational Change in SMEs which was developed from the background literature review on SMEs (Chapter 2) and Organisational Change (Chapter 3) was therefore considered to have been validated regionally by owner/managers of SMEs.

5.15 Summary

This chapter reported the results of the survey on organisational change, the in-depth interviews with ten participants who volunteered for further involvement on the survey questionnaire, and the focus group conducted for the purpose of validation of the proposed new model on organisational change in SMEs.

Analysis of the survey results has been provided in the tables and sections in the first section of the chapter, providing information relating to the organizational characteristics of the SMEs in the RDCO and has been presented in relationship to the research questions.

The results show these firms to be regionally focused, non-franchised, non-exporting, firms and with the great majority being in existence for more than ten years. The respondents held high levels of responsibility within the firms and young, male managers with an ownership interest predominated. Most of the firms have a manager with responsibility for human resources but are without a human resources department. Strategic and business planning was undertaken by the majority of the SMEs and they reported changing their practices to meet objectives outlined in these plans as evidence of plan implementation.

Overall, there was growth in all employment categories with a strong increase in full time employment. The pursuit of organisational objectives and the extent to which they are being achieved was also examined with overall favourable results.

However, there was no evidence to show that SMEs are embracing organizational change practices to anything above a moderate level, with those practices related to numeric flexibility being more in evidence than those related to teams and quality initiatives.

Strategic changes have been occurring frequently over the past three years with

change in management personnel reported as the biggest type of change experienced by SMEs in the RDCO. The restructuring of work practices, new equipment, new technology, management reorganization, change in product, change in service and changes to the work force were also strongly in evidence. There was a noticeable lack of presence of unionization/non-unionization.

A relationship was shown to exist between the internal organisational characteristics of size, presence of a human resources manager and existence of strategic planning with the prevalence of organisational changes, the experiencing of strategic changes and changes to the work force. The null hypotheses that were formulated to address the research questions were therefore all rejected.

The consensus from the participants in the in-depth interviews was that SMEs are unique and not simply a scaled down version of large business. All of the evidence they presented has been categorized and presented in accordance with the characteristics relating to leadership, resources, markets, flexibility and structure. Market changes were cited as creating the greatest opportunity for the majority of the participant SMEs within the region in recent years.

Existing models of organisational change were not considered appropriate to SMEs and the elements of the proposed new model are initially addressed with reference to the interview transcripts. With the aid of the focus group, all of the individual components of the proposed new framework depicting Organisational Change in SMEs have been validated.

This chapter has addressed the research objective, the related research questions, sub-research questions and hypotheses. The final chapter provides discussion, conclusions and recommendations relative to this research.

CHAPTER SIX – DISCUSSION, CONCLUSIONS, RECOMMENDATIONS

6.1 Introduction

The purpose of this chapter is to discuss and integrate the research findings from the survey, the in-depth interviews and the focus group, summarized and reported in Chapter 5 with relevant literature. Specific conclusions and recommendations are also discussed in view of the research findings. The research objective of this study is - **To examine the nature of organisational change experienced by Small and Medium Enterprises (SMEs) in the Regional District of Central Okanagan (RDCO).** There are eight research questions addressing this research objective. The discussion in this chapter is structured around these research questions.

The chapter also presents the refined and updated model depicting the conceptual framework for Organisational Change in SMEs. While the model was originally developed in Chapter 3 in connection with the literature review on Organisational Change, it has been presented here in its revised form as it has been modified and refined at various stages throughout this research. The results from the focus group are particularly relevant to the validation of the model. A discussion on the development of the components, processes and elements incorporated within the proposed framework of Organisational Change in SMEs is also been included.

Directions for future research are identified and the contributions from this research are summarized.

6.2 How prevalent are Organisational Change Practices in the RDCO?

The first research question concerns the prevalence of organisational change practices in SMEs. This question draws on the survey results exclusively.

Organisations implement planned change practices to improve performance and become more effective (Cummings & Worley 2001) and therefore the existence of

these practices demonstrates the pursuit of organisational change. The survey results showed no evidence of a high degree of participation in the full range of change practices that were investigated in SMEs in the RDCO.

Four categories of organisational change practices were investigated. Those aimed at building functional flexibility in the work force, included use of consultants, contracting out and job rotation. The survey results show that SMEs in the RDCO have adopted these to only a moderate extent. The change practices building numerical flexibility in the workforce included flexible work hours, telecommuting and job sharing. The survey results once again indicate only a moderate rate of adoption. The team related practices, included quality problem-solving teams, self managing work teams and cross functional project teams. The adoption rates reported in the survey are low to moderate.

The fourth category relating to quality initiatives included productivity improvement plans, re-engineering, introduction of Total Quality Management and program initiatives such as ISO 9000, benchmarking and best practices compared with Canadian and/or international firms. It was interesting to note that while quality initiatives such as bench marking and adoption of best practices have been introduced by fewer than a quarter of the respondent firms, customer demands for quality products and service are identified by the majority of the SME survey respondents as primary drivers of change. That means that while most firms acknowledged customer demands for quality, only one-quarter of the SMEs are implementing the types of change practices that improve quality of output. Specific references to customer expectations for quality were also made during the in-depth interviews. Interview participants indicated that their customers expect SMEs to have competitive pricing, quality products and services and advanced technological applications available such as electronic forms of payment.

The two most highly engaged organisational change practices were the implementation of flexible work hours to build numerical flexibility and

productivity improvement plans from the quality category of practices. The inherent flexibility of SMEs that was identified as one of their unique characteristics in the literature (Cecora 2000) was further enhanced with this flexibility in the work force. The focus on productivity improvement plans indicates an efficiency-related concern and can be connected to the lack of market power that was discussed in regard to the unique characteristic of markets (Todtling & Kaufman 2001). Meeting the variable demand for their products and services with high quality output is a challenge for SMEs.

The survey results also show that the adoption of best practices compared to Canadian organisations has very low participation and even lower rates exist for best practices compared to international organisations. This lack of participation in best practices initiatives makes it very hard to describe SMEs in the RDCO as learning organizations since learning organisations are normally expected to be continually adapting to their internal and external environments (Thompson & Strickland 2001).

Overall, the evidence gathered in the survey indicates that the SMEs are engaged to a moderate extent in the adoption of only some of the organisational change practices. In fact, some of the practices are almost totally absent. This situation – the less than optimal utilization of change practices - was consistent with what was reported in the literature. The implementation enigma was identified in Chapter 3 from the work of researchers showing that many initiatives which have been identified as important to SMEs have not always been implemented in practice (Curran & Blackburn 2001). Practices such as Total Quality Management that are important to competitive advantage, have not been widely adopted (Mohd & Aspinwall 2000; Todtling & Kaufman 2001) and high performance practices relative to human resource management are not always implemented (Hammond 2001).

Trends identified in specific industries as well as organisational types across industry sectors, have reported that adoption of organisational change practices is

not in line with the potential economic advantage that has been demonstrated as attainable by implementing those practices (Curran & Blackburn 2001 and Thompson & Strickland 2001). The results of the survey in the RDCO reaffirm this implementation enigma.

It seems therefore that a gap exists, perhaps even a chasm, between knowledge and application - between the academic and applied business research showing the potential gains from these practices and the practical application by management to reap those benefits. As long as so many of these organisational change practices are not being implemented, it has been made clear that SMEs in the RDCO are not embracing the practices that would help them to gain their maximum potential advantage.

6.3 What types of Strategic Change are reconfiguring the status quo in SMEs in the RDCO?

The second research question focuses on changes in strategic direction of SMEs such as change of output, reorganization or restructure of management and investment in operational assets and unionization/non-unionization. These were included in the questionnaire to evaluate the types of strategic changes affecting SMEs in the region. Since the implementation of strategic planning initiatives has been considered so important to survival and growth of SMEs (Perren, Berry & Partridge 1999), a high degree of strategic changes was considered to be one indicator of long-term economic viability.

The survey shows that management changes are the most frequently occurring strategic change in SMEs in the RDCO in both the last year and the last three years. These changes affected approximately half of the firms. The SMEs also report that the change in management was the change having the greatest significance to them during the past three years. In contrast, strategic change in relation to unionization/non-unionization was almost non-existent in the RDCO. The strong presence of management changes and the almost complete absence of

unionization issues confirm the existence of a unique regional landscape which was why a study with a regional focus had the potential to be most beneficial to that particular region (Cecora 2000; Nauwelaers & Wintjes 2002; Todtling & Kaufmann 2001). The regional scope of the research was thereby supported. Why the management situation was quite so turbulent is an area warranting further investigation.

The newer models of organisational change such as contingency (Dunphy-Stace 1993), patching (Eisenhardt & Brown 1999) and soft-systems (Senior 2002) with their frequent, incremental, and small-scale changes may help to explain the lack of major strategic shifts in approximately half of the SMEs that reported on strategic changes in the survey. Frequent, small scale changes may preclude the need for major strategic adjustments by some of these SMEs. These newer models referred to were analysed as being more relevant to the unique characteristics of SMEs and therefore are more likely to provide a better description of strategic change in SMEs.

Further, the literature reports that innovation was normally incremental in SMEs (Todtling & Kaufman 2001) and SMEs with a growth orientation are more likely to actually attain growth (Wilson 2002). So perhaps strategic changes are not going to be as evident as would be expected for SMEs since output, operational assets and union orientation may well form part of strategic direction in the first place.

To conclude this discussion on strategic changes, management change was the most frequently engaged strategic change and was reported by approximately half of the SMEs; changes in output have been reported in the survey by just less than half of the SMEs; and approximately one third have reported new plant, new equipment and/or new technology. Unionization/non-unionization was almost non-existent. Implementation of strategic planning initiatives was strongly linked to viability and growth (Perren, Berry & Partridge 1999) and even with the evidence of changes in strategic direction being modified by the newer

contingency models for organisational change in combination with the particular regional landscape, the level of strategic change reported in the survey responses may not represent an appropriate level to attain the SMEs potential for viability and growth.

6.4 What External and Internal Factors Influence Organisational Change in SMEs in the RDCO?

The third research question concerns the external and internal factors that influence organisational change in SMEs and the answers come from both the responses to the survey and the participants in the in-depth interviews.

The survey results show that the external influences of customer expectations - particularly for quality but also for price - dominate this discussion for SMEs in the RDCO. In fact, three-quarters of the SMEs ranked customer expectations as a very important influence. The increasingly competitive marketplace and the erosion of profits were also rated as very important influences by approximately half of the firms responding to the survey. The unique relationship that SMEs have by being close to their market has been identified from the literature (de Geus 1999; McAdam 2000; McDonald & Wiesner 1997) and this closeness was evidenced by the survey results that identify customer expectations for quality and price as very important factors that influence changes in strategic direction.

The review of the current small business environment in Canada includes a discussion on the regulatory environment and the call to the Government of Canada and the Provinces to remove inter-provincial barriers and other perceived regulatory impediments. While the need to make changes to the regulatory environment so that it becomes more favourable to SMEs was often cited in the literature as a primary requirement to allow for growth and development of SMEs (Canadian Federation of Independent Business et al. 2002; Kwan 2002), only a quarter of the SMEs reported this as a very important factor in the survey.

The results from the in-depth interviews undertaken in the RDCO show that regulatory change was actually cited as being beneficial to some businesses. Further, while some general recommendations were offered for improvements in government support, very few specific recommendations for regulatory change were identified from the interviews with SME owner/managers. This result certainly reconfirms the regional differences concept discussed in the literature on SMEs (Cecora 2000; Nauwelaers & Wintjes 2002; Todtling & Kaufmann 2001). There was also an apparent contradiction in the call for regulatory reduction since that call for regulatory change was barely audible from the SMEs of the RDCO. Further investigation of SMEs in relation to the regulatory environment should be undertaken to clarify this situation.

The availability and affordability of new technology were ranked as either very important or somewhat important influences for change by the majority of the respondents to the survey. The survey results also show that the vast majority of SMEs access the internet at least once daily indicating a high adoption rate of new technology. With SMEs being encouraged to adopt new technology to build a prosperous future (Canadian Federation of Independent Business et al. 2002) these are positive indicators that this was indeed being borne out in practice.

The international influences related to the North American Free Trade Association (NAFTA), export opportunities and the desire to compete globally were considered to be very important by only a few respondents to the survey. SMEs have also been encouraged to become active exporters (Canadian Federation of Independent Business et al. 2002) but the firms responding to the survey are very regionally focused and do not appear to have undertaken strategic changes in order to become more international.

According to the survey results, supplier requirements were considered either very important or somewhat important by about one third of SMEs in the region even though their economic position was frequently one of supplier or contractor to a

larger firm or government agency. This response was lower than the expectation created by the unique position of SMEs in regard to the market however supplier requirements could well be accommodated in original strategic direction rather than giving rise to strategic change.

In conclusion, market forces are considered very important influences for strategic change and the regulatory environment was rated far less highly than the expectation that was received from the literature. The closeness to market characteristic of SMEs was reinforced yet the view widely presented that the regulatory environment restricts and inhibits the growth of SMEs was not borne out in either the survey or interview results.

6.5 What Changes have occurred in the Work Force in the RDCO over the past three years?

The fourth research question focuses on the changes that have occurred in the work force in the SMEs in the region in the past three years. The survey results show substantial positive growth in all four categories of employment - permanent full-time, permanent part-time, casual and numbers of apprentices/trainees. In addition the large majority of the in-depth interview participants projected growth in terms of employee numbers. It was therefore reasonable that the expectation that these SMEs are to be the providers of increased employment opportunities (Canadian Federation of Independent Business et al. 2002) will be met and that the confidence that the sector will be able to deliver is well-placed. Growth in the permanent full-time and permanent part-time employment categories is exactly what the various levels of government are seeking (Asia Pacific Economic Cooperation 2002; Kwan 2002; Economic Development Commission 2002).

6.6 What Objectives were pursued with the introduction of Strategic Changes and to what extent were they achieved?

The fifth research question was divided into two parts – one to determine what objectives were pursued with the introduction of strategic changes and the second one to determine the extent to which the objectives were achieved.

The survey results indicate that the main objectives being pursued by SMEs in the RDCO are improved customer service and improved labour productivity. These are primarily market related objectives in the meeting of customer requirements for quality and the pricing expectations of an increasingly competitive market place. As previously mentioned, the relationship of SMEs to their markets was one of the unique characteristics of SMEs discussed in the literature (Todtling & Kaufman 2001 and McAdam 2002). It includes both the closeness to market and the lack of market power held by SMEs. This market proximity of SMEs means they have the capability to read market changes early and their inherent flexibility should enable them to adopt new organisational practices and strategic changes to meet the changed market situation. Customers communicate their quality and pricing expectations when they transact in the market and by being in tune with the market, the SME can adjust to the signals. The newer models for organisational change identified in the literature (Dunphy & Stace 1993, Eisenhardt & Brown 1999 and Senior 2002) describe fine-tuning and evolution, not revolution. These concepts are consistent with the minor corrections and adjustments needed to meet quality and pricing expectations from customers.

The survey results also show that, overall, the SMEs were able to achieve the objectives they pursued when implementing significant changes. The majority of firms reported success in meeting the objectives to either a major or minor extent when they pursued improved labour productivity and improved customer service. Since strong leadership was needed to effectively implement organisational change (Bruce & Wyman 1998, Kotter 1996 and Want 1998) and SMEs are characterised by strength of leadership (Khan & Manopichetwattana 1989 and McAdam 2002), this reported success in attainment of strategic objectives can be attributed to the unique characteristic of SME leadership.

Successfully meeting the main objectives of improved productivity and improved customer service provided evidence of the successful implementation of strategic changes. These findings are congruent with the unique characteristics of SMEs in regard to market and leadership and the newer models of organisational change.

6.7 What is the impact of certain Demographic Variables on the prevalence of Organisational Change Practices and Strategic Changes and Changes to the Work Force?

Research question number six relates to the impact of selected demographic variables on the prevalence of organisational change practices, the introduction of strategic changes and changes to the work force. The demographic variables considered are organisational size, presence of a manager with responsibility for human resources, and existence of a strategic plan and/or business plan.

In all cases, significant relationships exist between the survey responses on the prevalence of organisational change practices, strategic changes and changes to the work force on the one hand and the demographic variables of size on the other (small versus medium), presence of a human resources manager, and existence of a strategic plan. More specific results follow.

The survey included consideration of the organisational change practices of flexible work hours, telecommuting/work from home, use of consultants, contracting out, job rotation, job sharing, quality teams, self managing teams, productivity improvement plans, re-engineering business practices/processes, Total Quality Management, Bench Marking, Best Practice, Cross functional teams and quality initiatives. All of these organisational change practices can be used to build internal strengths and overcome internal weaknesses.

Firstly in considering the correlation between size (small versus medium) and the specific change practices, the analysis of the survey data showed that some

practices are more frequently introduced in small organisations and others more frequently introduced in medium enterprises. In all cases the relationships were significant. This is an area that warrants further investigation and research.

In SMEs where a human resources manager was present the introduction of organisational change practices was far more prevalent than in those firms where there was no designated human resources manager. The strong positive relationship between the presence of a human resources manager and the introduction of organisational change practices was consistent with the work of Cummings and Worley (2001) because Human Resource Practices are identified as one of the main categories of tools for introduction of organisational change. It is not unexpected that organisations placing importance on human resources to the extent that they have either a dedicated human resources manager, or have designated an individual to take responsibility for human resources, are far more likely to be practicing their profession and implementing change practices, than those that have not placed this same degree of emphasis on the importance of human resources in their organization.

There was also a strong positive relationship between existence of a strategic plan and the introduction of organisational change practices. Since business success has been strongly linked to the existence of strategic planning and these organisational change practices can be used to overcome internal weaknesses and build on internal strengths that are normally considered in the process of strategic planning, the strength of this relationship was not surprising. It was also consistent with the literature reporting that many of these same practices were present in successful small manufacturers (Rowden 2002).

Strategic changes considered in the survey are change in product, change in service, restructuring of work practices, new ownership, management reorganization and/or change, unionization/non-unionization, new plant, new equipment and new technology are used to meet external opportunities and to counter external threats.

Analysis of the survey data shows a significant positive correlation between organisational size and prevalence of strategic changes. The interesting result though was the fact that some are more prevalent in small organisations and others more prevalent in medium enterprises. Some strategic changes are positively correlated to the small size and others are positively correlated to the medium size.

The results of the correlation analysis of presence of a human resources manager and strategic changes are also very interesting. Major changes in product and service show no correlation to the presence of a human resources manager while management reorganizations and the unionization/non-unionization show very strong positive correlations with the presence of a human resources manager. The restructuring of work practices, new ownership, change in management personnel, and new plant, equipment and technology are also positively correlated with the presence of a human resources manager.

Significant positive relationships existed between the existence of a strategic plan and all strategic changes, except new ownership. Strategic interventions for achieving organisational change include the strategic planning process (Cummings & Worley 2001). The strategic changes required in relation to business growth (Wilson 2002), market expansion from exporting (Prefontaine & Bourgault, 2002), and forming alliances and networks to overcome resource constraints (Gunasekaran et al 1996) are more likely to occur in organisations where strategic planning was in place and these opportunities had been identified and strategic initiatives implemented to achieve them so the results in the RDCO are consistent with the literature.

The value of strategic planning for business viability and growth has been well-established. The results in the RDCO further confirm that strategic changes are far more likely to be implemented in organisations where there was a strategic plan. The fact that all strategic changes showed positive relational strength to the existence of a strategic plan was considered to be significant. SMEs in the RDCO

with a strategic plan are shown to be far more involved in the implementation of both organisational change practices and strategic changes.

The demographic variable of size showed a significant relationship with changes to the work force being reported more prevalent in small firms than medium firms. Further, the SMEs where a human resources manager was present were also significantly more likely to experience changes to the work force, as were those in which strategic planning existed.

The existence of a significant relationship between organisational size and the organisational change practices and strategic changes investigated in the survey has interesting implications for the issue identified by the Canadian Federation of Independent Business (2002) – the concern that while the Canadian economy provides an appropriate environment for starting businesses, the ability of small businesses to grow into medium businesses and generate the employment and investment opportunities which are sought by the economic agenda seems to be less successful. Meeting and negotiating the opportunities and threats faced by the small business as it grows, as well as building capability to overcome internal weaknesses and build on internal strengths was achieved in part by successful implementation of organisational change practices. The adoption of strategic changes aids an organisation seeking to exploit external opportunities and avoid external threats.

The motivation for the implementation of organisational change practices is, in the main, to build internal strengths and overcome internal weaknesses frequently identified in the strategic planning process, and the reason to implement strategic changes is to capitalize on external opportunities and to counter external threats. The SWOT (strengths, weaknesses, opportunities, threats) analysis is normally undertaken in the environmental scan that is part of the strategic planning process. This explanation accounts for the positive correlation between the existence of strategic planning and the prevalence of organisational change practices and strategic changes.

6.8 Is the current situation of SMEs in the RDCO conducive to meeting the Economic Expectations being placed on them?

Research question seven focuses on the ability of SMEs in the RDCO to meet the economic expectations with which they are being charged. Seven related aspects of this question were investigated in sub research questions – the uniqueness of SMEs compared to larger businesses, recent events providing opportunities for SMEs in the RDCO, events creating threats to these businesses, projections for growth in regard to revenues and employment levels, the SMEs own view on their capacity to deliver on the expectation that they become the drivers of economic growth and finally, recommendations for specific regulatory changes that could stimulate economic growth in SMEs in the region.

The focus on the SME sector within Canada, (and in fact, also throughout Asia Pacific and Europe), the Province of British Columbia and the Regional District of the Central Okanagan, to provide investment and employment opportunities as drivers of economic expansion has been documented (Canadian Federation of Independent Business et al. 2002; Kwan 2002; Economic Development Commission of the Central Okanagan 2004; Asia Pacific Economic Cooperation 2002). The emic view on whether or not SMEs would be able to meet these expectations was one of the topics discussed with SME owner/managers in the in-depth interviews. According to those interviews, the SMEs are predicting growth in revenues and growth in employee numbers but express uncertainty in relation to delivering on the economic expectations of governments. However growth in revenues normally relates to increased levels of investment in current and operating assets, which means the availability of investment opportunities that the various levels of government are seeking, and the expansion of the work force is an indicator of exactly how the SMEs should be able to deliver on employment growth. Yet the SME owner/managers expressed a great deal of uncertainty when asked whether they thought SMEs would be able to fulfil the economic performance expectations.

Owner/managers of SMEs in the RDCO consider their organisations to be unique compared with large organisations. Their commentary in regard to this uniqueness has been reported in the same categories of resources, markets, flexibility, leadership and structure that were considered in reviewing the literature.

Overall resource constraints along with specific comments on human resources and financial resources were mentioned in the interviews. This was consistent with the literature where resource constraints are considered to be a unique characteristic of SMEs. The overall impact of resource constraints on capacity to implement organisational change (McAdam (2002) as well as financial limitations (Freel 2000) and limited in-house expertise (MacDougall & Pike 2004) are considered as impediments to successful change and growth in the literature.

The interviews also confirmed the unique relationship that SMEs have with their markets – their ability to really know their customers and respond to their requirements but also the vulnerability of the SME to market fluctuations such as the award or loss of a large contract. The closer relationship arising from both geographic proximity and customer loyalty (McAdam 2000) certainly existed in the RDCO according to the interviewees. Todtling & Kaufman (2001) reported on the vulnerable relationship that SMEs have due to market fluctuations and this was consistent with the discussions in the interviews where the winning of a large contract or a greater number of bids than expected presented its own set of challenges for SMEs.

The degree of flexibility enjoyed by the SMEs in the RDCO and reported on in the interviews included comments on flexible size, flexible decision making and flexible management. The inherent flexibility of SMEs (McAdam 2002; McDonald & Wiesner 1997) provides a competitive advantage which has frequently been emulated by the establishment of small business units within large organisations.

The interviews generated a lot of discussion on the unique characteristic of SMEs in relation to leadership. Comments relating to entrepreneurial style are consistent with the work of Cecora (2000); discussions about the involvement with day to day operations and involvement in supervision and decision making echo the work of McAdam (2000) and the impact of the personality of the leader on culture and the strength of leadership was congruent with the findings of Dunphy & Stace (1993).

The owner/managers of the SMEs commented on the structure of their organisations in the interviews. The need for policy, formality, procedure manuals and reporting structure grew as the organisations grew but overall less formal, flatter structures characterized the SMEs. This was consistent with existing research (McDonald & Wiesner 1997).

However consideration of organisational size is like looking at two sides of a coin - sometimes it can be an advantage and sometimes it can be a disadvantage. Resources, markets, flexibility, leadership and structure can have advantages and disadvantages for the SME. These advantages and disadvantages are presented in relation to the unique characteristics of SMEs in Table 6.1 and discussed in the subsequent section.

Table 6.1 Advantages and Disadvantages of Unique Characteristics

Characteristics	Advantages	Disadvantages
Leadership	<ul style="list-style-type: none"> • High level of commitment to business success (Cecora 2000) • Daily involvement in operations should aid organisational change (McAdam 2000) • Leadership strength crucial to financial performance (Dunphy & Stace 1993) 	<ul style="list-style-type: none"> • SMEs frequently have two or more leaders (Curran & Blackburn 2001) • Lifestyle and independence motivate start-up but may inhibit growth (Wilson 2002)
Markets	<ul style="list-style-type: none"> • Makes business networks crucial for export (Chetty & Campbell-Hunt 2003) • Can adapt to market changes as they occur (McAdam 2002, McDonald & Wiesner 1997) • Early warning for changes due to proximity (McAdam 2002 and de Geus 1999) 	<ul style="list-style-type: none"> • More subject to changes in conditions (Todtling & Kaufmann 2001)
Resources	<ul style="list-style-type: none"> • Forced to innovate in different ways (Huang et al. 2002; Todtling & Kaufmann 2001) 	<ul style="list-style-type: none"> • Barrier to exporting (Suarez-Ortega 2003) • Organisational Change more difficult (McAdam 2002) • Innovation more challenging (Wind & Main 1998 and Freel 2000)
Flexibility	<ul style="list-style-type: none"> • Personal contact with other economic agents (Cecora 2000) • Assist in implementation of change initiatives (McDonald & Wiesner 1997) 	<ul style="list-style-type: none"> • Long run efficiency difficult to achieve (Gelinas & Bigras 2004)
Structure	<ul style="list-style-type: none"> • Flatter structure facilitates communication (McDonald & Wiesner 1997) 	<ul style="list-style-type: none"> • Large firms more likely to adopt Just-in-Time practices (White, Pearson & Wilson 1999)

(Source: Developed for this research)

This advantage/disadvantage situation exists with regard to leadership. While there was a high level of commitment to business success by leaders of SMEs (Cecora 2000) and their daily involvement in operations should aid organisational change (McAdam 2000), sometimes the lifestyle and independence of the leaders

serves to inhibit the growth potential of the SME. Included in the interview comments was a remark about the personality of the founder staying embedded in the culture of the SME. The leadership situation can also become more complicated when there are two or more leaders and this was frequently the case (Curran & Blackburn 2001). Strength of leadership has also been linked to financial performance (Dunphy & Stace 1993) which was a very important element of overall organisational success. The interview participants commented on the direct involvement of the leadership with every facet of the business and specifically mentioned financial, legal and operational involvement.

The close relationship of SMEs to their markets certainly makes them very vulnerable to market changes (Todtling & Kaufmann 2001) but also gives them early warning of those changes (McAdam 2002; de Geus 1999). The owner/managers who were interviewed talked about their close contact with their customers and the advantage this gave them in regard to knowing the needs of their clients. This close market relationship also makes it possible for SMEs to adapt to market changes as they occur (McAdam 2002; McDonald & Wiesner 1997). It also means that business networks probably need to be relied upon for export (Chetty & Campbell Hunt 2003).

The resource constraints of SMEs can make organisational change a more difficult process (McAdam 2002) and can present a barrier to exporting (Suarez-Ortega 2003). These limited financial and human resources can also make innovation more challenging (Wind & Main 1998; Freel 2000) yet may force SMEs to innovate in different ways (Huang et al. 2002; Todtling & Kaufman 2001). This situation was reaffirmed by the interview participants in comments relating to the multi-tasking requirements of employees in SMEs. Interview participants also commented on the more restricted financial resources of the SMEs that sometimes hindered dealing with a challenge.

The inherent flexibility of SMEs should actually assist them in the implementation of change initiatives (McDonald & Wiesner 1997) and the interview results include commentary on adjustments to the firm size in concert with market demand for their products and services. At the same time, flexibility may make long run efficiency difficult to achieve since the firm is continually making adjustments for the immediate situation (Gelinas & Bigras 2004). Personal contact with a range of other economic agents is one of the advantages of this flexibility (Cecora 2000). The interview participants also confirmed this in their comments regarding the fast reaction time to employees and customers.

While the flatter structure of SMEs facilitates communication (McDonald & Wiesner 1997) and communication is an essential element for the implementation of organisational change practices and strategic changes, research has shown that large firms are more likely to adopt some of the organisational change practices and strategic changes. For example, Just in Time Practices were more frequently adopted by large firms (White, Pearson & Wilson 1999). The survey data shows that some organisational change practices were more prevalent in small enterprises and some significantly more prevalent in medium enterprises. This is an area warranting further study and research and is included in the appropriate section below.

In addition to the advantage/disadvantage situation being identified from content analysis of the interview data it was also reflected in the findings from the survey. Prevalence of organisational change practices and strategic changes are significantly positively correlated to organisational size. In the analysis of the organisational change practices undertaken by SMEs in the RDCO, there was a significant positive relationship between medium sized firms and the practices of cross-functional project teams, quality initiatives, total quality management, contracting out, job sharing and job rotation and a significant positive relationship of small sized firms with best practices compared with other Canadian firms and self managing work teams. A similar dichotomy exists in the analysis of implementation of strategic changes. Medium firms are significantly more likely

to engage in restructuring of work practices, management reorganization, changes in management personnel, new plant and new technology, while small firms are more likely to be involved with change in product, change in service, new ownership, unionization, non-unionization and new equipment. This area definitely needs further research. It is impossible not to concur with Curran & Blackburn (2001) – researching SMEs is challenging and complex and the researcher should not expect perfect and unchallengeable outcomes.

However, the literature and the SMEs of the RDCO have one voice in regard to the fact that SMEs are unique – they are definitely different from large enterprises and not just the same thing on a smaller scale. The discussion of the results from the in-depth interviews has provided further validations of the Unique Characteristics of SMEs. The interview participants are adamant - SMEs are very different from large businesses – they are unique.

The second part of research question number seven seeks to determine what events have created the greatest opportunity for SMEs in the RDCO in recent years. According to the ten firms interviewed, the greatest opportunities identified for SMEs arose from market opportunities – in many cases created due to government projects and initiatives and for one SME, the greatest opportunity arose due to a change in government regulations. The concept of government as the creator of opportunities through funding of projects in the respective operational areas of the SMEs and the implementation of additional regulations by legislation was in stark contrast to the literature calling for reduced regulation to facilitate the growth and viability of the small business sector (Canadian Federation of Independent Business et al. 2002).

The third component of the seventh research question was directed at determining the most serious threat to the SMEs in the region in recent years. The most serious threats were identified in the interviews as external environmental factors such as changes in the Provincial government, the September 11 terrorist attacks, increasing competition and technological advances. Since regulation has been

considered as both the greatest opportunity and the greatest threat, the vulnerability of SMEs to the regulatory environment was emphasized. It is perhaps this vulnerability to government regulation that drives the call for public policy initiatives to be more considerate of SMEs with tax simplification and the removal of inter-provincial barriers to trade (Canadian Federation of Independent Business et al. 2002). At the same time, several SMEs in the RDCO welcomed the privacy and safety regulations which increased demand for their products and services and capital expansion projects that impacted their area of operations and disclosed this information in their interviews.

In order to assess the capacity of SMEs to deliver on the economic expectations with which they are being charged, it was important to determine whether the SMEs in the region were projecting growth in their businesses both in terms of revenue and workforce. Parts four and five of research question number seven are specifically directed at doing this and were discussed with the owner/managers in the interviews. The response was a resounding 'yes' – SMEs in the RDCO confidently predict growth in regard to both of these indicators. This confidence was in direct contrast with the less certain response to part six of the research question which asked the owner/managers of the SMEs whether they expected to be able to deliver on the expectation to be drivers of economic growth. Here they expressed caution with less than half of the firms predicting it would be possible.

Part seven of this research question asked the owner/managers taking part in the interviews whether there were specific regulatory changes that could stimulate economic performance of SMEs in the RDCO. There was no consensus on this issue even though organisations such as the Canadian Federation of Independent Business et al. (2002) have identified the reduction of regulatory barriers as important to the growth and viability of SMEs. Their report entitled 'The Path to Prosperity: Canada's small and medium sized enterprises' calls for a systematic reduction of business sector regulation, a reduction in industrial product marketing regulations, reduction in employment protection initiatives and simplification of the product approval process as well as the lowering of federal corporate tax rates

and municipal business property tax rates. Since the ten SME owner/managers in the RDCO did not identify any specific regulatory change that would benefit them and some of them stated that they have actually benefited from government regulations, it was difficult to rationalize the interview data with the literature. This area warrants further research.

6.9 Is the Proposed Conceptual Framework of Organisational Change in SMEs appropriate to SMEs in the RDCO?

Research question eight relates to the appropriateness of the proposed new conceptual framework of organisational change to the SMEs in the RDCO. The model depicting the organisational change process for SMEs was originally developed and presented in Chapter Three and this research question was developed to address each component of the proposed conceptual framework. The sub research questions were specifically directed at the unique characteristics of SMEs, the tools for change, the forces for change, the process in regard to the response by leadership, the implementation of the tools of change, the impact on organisational effectiveness, the pace of change, its continual nature and internal changes. Focus group methodology was utilized to determine the validity of the model and the participants considered and addressed each element and process depicted in the framework as well as giving their overall views.

The revised model has been presented in this final chapter (Figure 6.1) and responds to the call by researchers (Zeffane 1996) for new change designs and new tools. The subsequent sections explain the components and processes represented in the proposed new model of Organisational Change in SMEs.

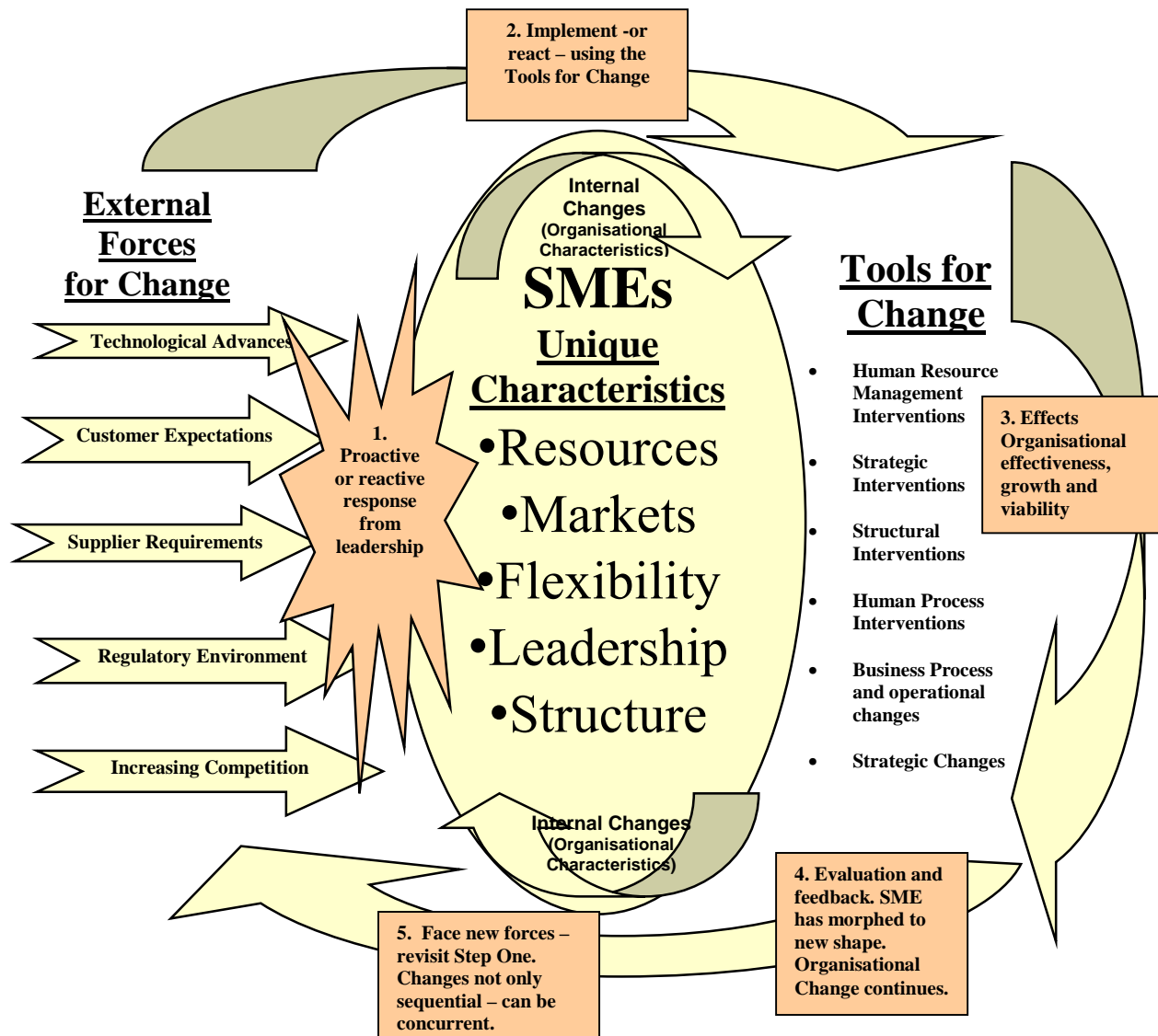


Figure 6.1 Organisational Change Model for SMEs (revised)

(Source: Developed for this Research October 2003 – Revised March 2005)

The SME has been depicted as an ellipse with the five categories of unique features of SMEs contained therein. These five categories were developed from the literature on SMEs – their more limited human, material and financial resources (McAdam 2002; MacDougall & Pike 2004); their lack of market power (Todtling & Kaufmann 2001); their inherent flexibility (McAdam 2002; McDonald & Wiesner 1997); the strength of leadership (Khan & Manopichetwattana 1989; Dunphy & Stace 1993) and their flatter, less formal, structure (McAdam 2002; McDonald & Wiesner 1997). These unique features were all endorsed by the focus group. Leadership and flexibility received particularly high levels of support. Markets, resources and structure were also considered highly appropriate as differentiating characteristics from large businesses. The focus group results strongly support the literature and consequently the unique characteristics of SMEs and their inclusion in the new model was validated.

In considering the tools for change included in the model, the focus group indicated that strategic planning was a highly appropriate tool; implementation of strategic changes and business process and operational changes were considered to be next in importance to them with human resource practices also strongly supported. Organisational structural changes and organisational change practices were also considered to be either very appropriate or mostly appropriate by everyone in the focus group. The initial four categories of human resource practices, strategic planning, organisational structure and process interventions of the tools for change are derived from Cummings & Worley (2001). A range of organisational change practices designed to overcome internal weaknesses and build on internal strengths were also included in the questionnaire and the results from the survey showed a significant relationship between the prevalence of these practices and organisational size. As a result organisational change practices were added as a fifth category in the tools for change. Likewise significant changes in strategic direction were also considered by the respondents to the survey and again there was strong positive correlation with organisational size. As a consequence,

strategic changes were included as the sixth category in the tools for change. The literature and the results from both the survey questionnaire and the focus group are closely aligned in regard to their support of the tools for change. Therefore the tools for change are considered as valid components of the model.

The applicability of the proposed new model was also investigated in relation to the forces for change. The forces for change encountered and reported on by SMEs in the interviews are broadly categorized into the five forces - technological, customer expectations, supplier requirements, regulatory changes and increasing competition and are shown in the model by directional arrows impacting the ellipse that represents the SME with its unique characteristics. In fact, these forces are the external opportunities and threats in the broad business environment that are normally considered as part of the SWOT (strengths, weaknesses, opportunities, threats) analysis frequently forming a preliminary step in the strategic planning process.

All of the factors that were considered to be major influences for change by the survey respondents are also accommodated within those categories as shown in Table 6.2.

Table 6.2 Change Influences relative to the Forces for Change

<u>External Opportunities and Threats:</u>	
Technological Advances	<ul style="list-style-type: none">• Availability of New Technology• Affordability of New Technology
Customer Expectations	<ul style="list-style-type: none">• Customer Expectations for Price• Customer Expectations for Quality• Changing Products or Services
Supplier Requirements	<ul style="list-style-type: none">• Major Supplier Requirement
Regulatory Change	<ul style="list-style-type: none">• North American Free Trade Agreement (NAFTA)• Exchange Rate Fluctuations• Change in Government Regulation
Increasing Competition	<ul style="list-style-type: none">• Erosion of Profits• Increased Competition in marketplace• Export Market Opportunity• Desire to compete globally
<u>Internal Strengths and Weaknesses:</u>	
Strengths	<ul style="list-style-type: none">• Business and Strategic Planning• Human Resource Manager and/or Department• Organisational Size
Weaknesses	<ul style="list-style-type: none">• Lack of Business and Strategic Planning• No Human Resource Manager or Department• Organisational Size• Inflexibility in the Work Force

(Source: Developed for this Research)

Availability and affordability of new technology form part of the force from technological advances; customer expectation for price, quality and changed products and services are components of the customer expectations force; supplier specifications fit within the supplier requirements category; NAFTA, exchange rate fluctuations and change in government requirements are components of the regulatory changes force; and finally erosion of profits, increased competition, export market opportunities and desire to compete globally are within the increasing competition force for change.

The main external environmental triggers for change identified by Dawson (2001) were listed as government laws and regulations, globalization of markets and the internationalization of business, major political and social events, technological advancements, customer expectations, supplier requirements, increasing

competition, organisational growth, and fluctuations in business cycles. These can also comfortably fit within the forces for change categories in the model.

In addition, since changes can be generated internally, and as the results of this research show, there was a positive co-relationship between the internal organisational characteristics of size, emphasis on human resources management (as indicated by the presence of a human resource manager and/or human resource department), and the existence of business and/or strategic planning, these organizational characteristics are presented in Table 6.2 as strengths and weaknesses. Note that because the results of this research have shown that some organizational change practices are more likely to occur in small enterprises, and some in medium enterprises, size has been listed as both strength and weakness.

All of the specific examples of the events that initiated recent changes provided by the ten interviewed SMEs can be categorized into these Forces for Change. The Forces for Change are therefore considered to be validated as comprehensive categories and appropriately represented in the model.

There are five steps in the circular flow of the organisational change process depicted in the model. Firstly, leadership of the SME takes action – either pro-actively in accordance with a plan or reactively because the change was not anticipated. SMEs are known for having strong leaders (Dunphy & Stace 1993) and Burke (2002) states the importance of strong leadership to organisational change. Secondly, the leader accesses the tools for change to deal with the situation. This impacts organisational effectiveness, growth and viability and this has been shown as the third stage in the change process. The evaluation and feedback (shown as Step 4) that is essential to assess success in adjusting to the change has been described in step four of the new model and was also an essential element in the action research model, the contemporary action research model and the general model for planned change (Cummings & Worley 2001). This is also consistent with the fine-tuning and incremental changes of the newer models (Dunphy & Stace 1993; Eisenhardt & Brown 1999; Senior 2002) because

those adjustments can only be made after considering the effectiveness of the tools for change in meeting the environmental challenges from the forces for change. Because the SME must continually face the forces for change and Step 5 was incorporated to describe the continual, concurrent requirements for change.

All of these steps were considered individually with the result that they were all held to be valid by the focus group - the response by leadership, the implementation of the tools for change, the effect on organisational effectiveness, evaluation and feedback and the return to again face the forces for change. In addition the pace of change, the continual nature of the process with the return to face new changes, and the internally generated changes and impact of demographic characteristics were also considered to be a very appropriate representation of the situation in the SMEs of the RDCO by the focus group participants.

A comparison between the initial presentation of the draft model in chapter three and the revised presentation in this chapter reveals the evolution of the model to its current state. Changes incorporated into the framework subsequent to initial conceptualization include the addition of organisational characteristics as influences on internal changes. This is because the organisational characteristics relating to size, presence of a human resources manager and/or department, and the existence of business and/or strategic planning were shown to have a significant positive relationship to both the prevalence of organisational change practices and strategic changes when the survey responses were analysed. The change practices included on the survey were far more likely to be implemented by SMEs that had a strategic plan.

Return to the literature for substantiation on this issue was confirmatory. The connection between survival and growth in SMEs and the adoption of explicit strategic planning has been documented (Perren, Berry & Partridge, 1999 and Georgellis, Joyce & Woods, 2000 as cited in Chan & Foster, 2001). Progressive human resource management practices of selectivity in staffing, training and

incentive compensation were found to be positively related to measures of organisational performance (Delaney & Huselid 1996) and in a study of critical success factors for small business, employee-relations factors, including training, involvement in decision making and a reward/discipline system are positively correlated to success in the service industry (Gadenne 1998).

A further refinement incorporated into the new model came as a result of input provided by the focus group. It was their recommendation to remove the word 'refreeze' as jargon and use a descriptor to indicate that organisational change continues and this recommendation has been reflected in the wording of step four. The continual requirement for change has been reflected in step five where the SME continues to face the forces for change and move again to the response by leadership to those forces.

Depending on which tool has been selected, and the internal characteristics such as size, presence of a human resources manager and existence of strategic and/or business planning, there is an impact on organisational effectiveness, growth and viability as described in step three. Consultation and discussion with the dissertation supervisor resulted in the inclusion of the impact on organisational effectiveness, growth and viability as a component of the circular process. This has been shown as part three of the change process.

Leadership responds (Step 1) to the forces for change either proactively according to the business and/or strategic plan or reactively if the situation has not been considered in the planning process. Analysis of the survey data shows a significant positive relationship between the existence of planning and the prevalence of organisational change practices. Fourteen out of the total of fifteen change practices included on the survey were significantly more likely to be implemented by SMEs that had a strategic plan.

Where a strategic plan was in place, leadership has been able to proactively undertake an appropriate response to the forces for change. SMEs without a plan

only have the option of reaction. To do nothing would in most cases be an inappropriate response as depending on the strength of the force, the SME can become outdated due to a technological advance, lose its customers if it fails to meet their expectations, be unable to access raw materials and services if it ignores suppliers expectations, be subject to penalties if it does not respond to changes in the regulatory environment and incur losses if it does not continually build a competitive advantage in the face of increasing competition. The whole object of the model is to assist in the process of successful negotiation of organisational change so that the SME can survive and grow.

The Tools for Change encompass the whole array of interventions available to business. The implementation of an appropriate tool (Step 2) to meet the force for change will impact organisational effectiveness, growth and viability (Step 3). The organisational characteristics influence the way in which change is implemented and its contribution to organisational effectiveness.

The process of evaluation and feedback needs to be undertaken continuously to ensure that the measures invoked to implement the change are bringing about the desired results (Step 4). There is a continual requirement to change – the forces for change are always present in the economic environment of the SME. Changes are not only sequential, but can also be occurring concurrently (Step 5). The circular flow of the model (represented by the arrows around the perimeter), to depict the process of change in the model was designed in recognition of the fact that change is becoming a constant for modern organisations (Easley and Alvarez-Pompilius 2004). This tenet was also supported by content analysis of the in-depth interviews and the focus group. The circular flow is also intended to represent the continual process of change consistent with the concepts of ‘evolution not revolution’ described by Eisenhardt & Brown (1999) in the Patching model, the situational changes matched to the scale of change concepts in the Contingency model from Dunphy & Stace (1993) and the need for continuous change in accordance with current reality as described in the Soft Systems model (Senior 2000).

It is postulated that the development of a new model depicting the process of organisational change in SMEs represents a contribution to the body of knowledge on organisational change and SMEs. The founding of this new model on the ‘small is not just a scaled down version of big’ concept and incorporating the unique features identified from the SME literature along with the emergent theory on organisational change processes has potential to contribute to the body of knowledge in both disciplines. The need for the new model developed from the secondary analysis of organisational change models relative to the unique features of SMEs. New features were added and additional processes captured as they were identified throughout the literature review and primary data collection, particularly the in-depth interviews and focus group. The focus group individually validated each of the components of the model and the processes represented therein and the refined model (Figure 6.1) is therefore presented for consideration as a contribution to the literature on Organisational Change and SMEs.

6.10 Implications for Policy and Practice

The potential applications from this research relate to both policy and practice and they are discussed in the following sections.

6.10.1 SME Research relative to Policy Making

While there is a body of research on small business and policy making, much of it has been undertaken by consultants to government rather than independent academic researchers. There is an identified need for objective research to guide and assess policy and while this may be difficult to achieve, the point of mentioning it here is to simply identify it as an area for future research without a full discussion of implementation issues. With SMEs high on governments’ agendas, appropriate objective research has an important role to play.

The fact that the demographic variables of presence of a human resources

manager and existence of a strategic plan that were considered in this research showed positive correlation with changes in the work force has interesting implications for the economic agenda for SMEs to provide more employment opportunities. The provision of business support initiatives that encourage the development of increased expertise in human resource management and strategic planning in SMEs may well help achieve that agenda.

Further, there is a specific area in relation to the role of SMEs that warrants mentioning here and that is government regulation. The challenge identified for the Canadian economy is how to provide a public and private policy environment that would allow SMEs to achieve their full potential (Canadian Federation of Independent Business et al. 2002). This includes the role of public policy to remove inter-provincial obstacles to the movement of goods and services and to simplify tax policy and thus create a more rewarding and less obstructive environment for SMEs. Yet the emic view from the in-depth interviews indicates that government regulation is not always seen as a barrier to growth, but sometimes creates new niche markets for SMEs. This could be interpreted to say that the government policy for reduction in regulations has been working as these are no longer seen as burdensome as they were in the past.

6.10.2 Research relative to Consulting Services

Potential exists for the results of this research to be applied by management consultants, accountants (as business advisors) and small business support organisations. The understanding of the scope and pace of change has the potential to better equip small business owners and/or managers to cope with change – both externally imposed and internally driven. Frequently SMEs rely on their professional accountant for business advice, while at the same time the professional accounting organisations are encouraging their members to expand into value-added services. Delivering greater understanding of organisational change to SMEs along with practical guidance for utilizing the tools for change has the potential to strengthen the SME sector.

6.10.3 Implications for SME Owner / Managers

One of the challenges to SME owner/managers relates to expansion into export markets. While SMEs are urged to explore export opportunities in the ‘Path to Prosperity’ report (Canadian Federation of Independent Business et al. 2002), according to the survey results very few of the SMEs in the RDCO are involved in exporting. This finding has a clear practical implementation for owner/managers of SMEs in the RDCO. Export market potential is not being capitalized on and the resultant potential revenue growth and increased profitability is not being tapped.

A number of the owner/managers involved in the in-depth interviews and the focus group have expressed an appreciation for the focus of this research on the SME sector. They have appreciated the opportunity to consider the complexity of the SME environment and the proposed new model for organisational change as an aid in understanding that complex reality. Wider dissemination of the model should assist more SMEs in understanding their individual environments.

6.11 Directions for Future Research

During the process of the literature review and data gathering that was undertaken for the purpose of meeting the research objective, many directions for further research have been identified. They are presented in the following paragraphs.

6.11.1 Bridging the Gap from the Academy to Small Business

There is a huge opportunity for academic researchers to bridge the gap between academic research and practical implication. To use the analogy further, there is a great need for researchers to build the foot-bridge, the road bridge and the sea spanning bridge – and to cross over to meet the SMEs where they live. These SMEs are the focus of government expectations as drivers of economic growth and many of the tools and solutions that would help them achieve these expectations are already in existence, but just not in a form or at the right time and place for implementation. Since small business research is truly cross-discipline research (Curran & Blackburn, 2001), academic researchers will need to work across disciplines in order to bridge the gap between the academy and small business.

6.11.2 Application of new research methodologies to SME research

Since small business is not just a reduced scale version of large business, the methods that have been used in large business research are not necessarily the only methodologies that should be used in small business research (Curran & Blackburn, 2001). The use of newer, qualitative approaches to the small business environment should build the understanding of what actually happens in SMEs. So while this research has made a step in this direction, there is much to be gained by the application of qualitative research techniques to the small business environment.

6.11.3 SME Research relative to Gender, Family Ownership and other Organisational Characteristics

This research considered three internal characteristics (size, presence of a human resources manager and existence of strategic planning) in relation to organisational change and there are many more that could be considered. The recent suggestion, reported in the CIBC World Markets 2004, *Start me up: A look at New Entrepreneurship in Canada*, that while startup activity is dominated by men, women stay in business longer with higher survival rates also opens an avenue for further research relative to gender. Family ownership issues and SMEs should also be investigated with additional research.

6.11.4 SMEs and Economic Expectations

The assessment of SME owner/managers that they would deliver revenue growth and expand their employee numbers combined with uncertainty of the ability of SMEs to deliver on the economic expectations warrants further investigation. Perhaps there is a relationship between environmental risk assessment and willingness to commit confidently to meeting those expectations. This area needs to be explored.

6.11.5 Time Series of SMEs in the RDCO

It would be informative to re-interview the ten SMEs that participated in the in depth interviews, and do a time-series comparison of the views provided in these interviews. This should provide a better view of the degree of turbulence in the economic environment of the SMEs in the RDCO and also allow evaluation of whether or not they are able to meet their stated goals for employment expansion and hence the governments' aspirations for them to do so.

6.11.6 Regional influences on Strategic Changes

In order to assess whether or not the types of strategic changes being experienced in the RDCO are regionally aligned or relate to the SME environment in Canada, or to the SME environment throughout the nations in which they are a growing phenomena, it would be necessary to expand the research to other regions within

British Columbia, other Canadian provinces and other countries. This research has identified a large difference in internally generated changes in the RDCO compared to other regions. This also warrants further investigation.

6.11.7 Implementation of Strategic Plans

The implementation of strategic plans, not just the process of preparing the plan, and examination of proposed nature of the relationship between organisational change practices and internal strengths and weaknesses, and strategic changes and external opportunities and threats also require further research. Initially, undertaking a thorough literature review on implementation of strategic plans followed by appropriately designed primary research is anticipated to provide insight into this area. The survey results showed that certain organisational change practices are more frequently adopted by small enterprises and others are more frequently adopted by medium enterprises. This also warrants further research to determine if this is always the case across other regions.

6.11.8 Regulatory Changes and SMEs

The finding from the in-depth interviews regarding benefits from government regulations to SMEs and the consequences identified as opportunities for business growth is an area for further investigation. In fact the call to reduce regulations may not provide business growth beyond that which is actually provided to the SME sector by government regulation. The unexpected nature of this finding warrants further research because it has the potential to inform the actions of public policy makers.

6.11.9 Dominance of Management Changes in SMEs

Since the dominant strategic change reported by SMEs in the RDCO in the survey responses was management changes, further research could be directed at determining whether these management changes also dominate SMEs in other Canadian and international areas. Is this a regional, national or international phenomenon?

6.11.10 Organisational Change Practices and Organisational Size

The analysis of the survey data showed a significant positive relationship between the adoption of organisational change practices and size of the enterprise. The interesting situation identified however was that some practices were more likely to be present in small firms (20-49 employees) and others in medium firms (50-200 employees). This situation warrants further investigation.

There is considerable scope for researching SMEs. In fact, because basically every business discipline crosses into the realm of the SME, there is great potential for cross-disciplinary research. Combined with the emphasis and economic expectations being placed on small and medium sized organisations and the constantly changing business environment, potential topics and directions for future research are almost limitless.

6.12 Conclusion

An overview of the contributions made by this research has been presented in Figure 6.2. Each contribution has been identified and referenced to the literature and the contribution summarized and referenced to the appropriate sections in this dissertation. Included in Figure 6.2 are the prevalence of organisational change practices in SMEs in the RDCO, the implementation of strategic changes in SMEs, the external and internal influences driving organisational change in SMEs, the inside view on meeting economic expectations, the inherent uniqueness of the SME, the presentation of a new conceptual framework and the implementation of strategic changes and prevalence of organisational change practices in SMEs in the RDCO.

The Nature of Organisational Change in Small and Medium Enterprises (SMEs) in the Regional District of Central Okanagan (RDCO)

Prevalence of Organisational Change Practices in SMEs

Coverage in the Literature: Concern that implementation is less than optimal in general business environment (Section 3.6)

Contribution from this research: The 'Implementation Enigma' defined and confirmed with only moderate adoption of organisational change practices in SMEs in the RDCO (Sections 5.9.1 and 6.2)

Strategic Changes and SMEs

Coverage in the Literature: To a very small extent (Section 3.2.4.2)

Contribution from this research: Regionally specific results provided—high rate and pace of changes (Sections 5.9 and 6.3)

External and internal influences for Organisational Change

Coverage in the Literature: Full coverage on large business—limited coverage on SMEs. Importance of regional context (Section 3.2.1)

Contribution from this research: Regionally specific results provided including categorization of external drivers of change and determining significant relationship between internal organisational characteristics and prevalence of organisational change practices and strategic changes (Sections 5.10 and 6.7)

SMEs emic view on ability to achieve economic expectations

Coverage in the Literature: Not covered

Contribution from this research: SMEs in the RDCO share their views on meeting economic expectations (Sections 5.13 and 6.8)

Unique Characteristics of SMEs

Coverage in the Literature: To some extent (Section 2.4)

Contribution from this research: Synthesis of unique characteristics of SMEs (Sections 5.13 and 6.8)

Organisational Change in SMEs – Conceptual Framework

Coverage in the Literature: SMEs not covered separately from large organisations (Section 3.3 and Table 3.1)

Contribution from this research: Secondary level analysis relating unique characteristics of SMEs to Organisational Change models (Table 3.3). Design and presentation of a proposed new model 'Organisational Change in SMEs' (Figures 3.1 and 6.1 and Section 6.9)

Prevalence of Strategic Changes and Organisational Change Practices

Coverage in the Literature: Specific change practices and strategic changes studied and analyzed in relation to organisational characteristics including size, presence of HR manager and existence of business and/or strategic planning (Section 3.2.3 and Table 3.2)

Contribution from this research: Synthesis of Organisational Change Practices and Strategic Changes to SMEs in the RDCO and relationship to demographic variables of size, existence of strategic planning and presence of human resources manager (Sections 5.10, 6.2 and 6.3)

Figure 6.2 Contributions from this Research

(Source: Developed for this Research)

With international focus now being placed on SMEs, the development and growth of SMEs is a priority area for regional, provincial and national governments as well as the Asia Pacific Economic Cooperation (APEC) organization. In order to meet the economic expectations being placed on the SME sector, these organisations need to be able to successfully negotiate organisational change and they can do this more successfully when they understand the nature of the process of change and the implementation tools available to deal with their internal and external challenges.

This research has revealed the ability of SMEs in the RDCO to meet the expectations as drivers of economic growth, notwithstanding their own uncertainty in doing so. It has also made progress in beginning to provide an understanding on organisational change in SMEs – the gap identified in the literature review on organisational change (Chapter 3).

This research has focused on SMEs, because of the importance now being placed on their role as drivers of economic growth (Canadian Federation of Independent Business et al. 2002; Kwan 2002), in a regional environment, which is congruent with the literature indicating the importance of regional differences (Cecora 2000; Nauwelaers & Wintjes 2002; Todtling & Kaufmann 2001) and on organisational change in that regional SME context in order to fill a gap in the organisational change literature which has previously focused on the large business environment (McAdam 2000, McAdam & Armstrong, 2001, Curran & Blackburn, 2001, Burke 2002). The findings, their analysis and the new conceptual framework provide a number of contributions to understanding organisational change in SMEs.

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Appendix 1 – Letter to SMEs re Questionnaire (on-line)



March 29, 2004

My name is Heather Banham and I am currently the Chair of the Business Administration Department at Okanagan University College. I am currently involved in research relating to Organisational Change in Small and Medium Enterprises (SMEs) in partial completion of the requirements for the Doctor of Business Administration program at the University of Southern Queensland.

This research is important for SMEs as they play an important role in the economy of the Okanagan. Your company has been selected because it fits the profile of SMEs that make a valuable contribution to the economic health of our region. The findings from this research have the potential to assist organisations to cope with the never-ending requirements for change that characterize today's business environment.

The questionnaire has been developed using 'Zoomerang' software to minimize the amount of time for completion and to facilitate the summarization of the findings. It should only take about ten (10) minutes to complete. A summary of the research findings will be made available in a follow-up to this email. The findings may also be disseminated by publication in business and/or academic journals and at conferences.

Your responses will be treated with strict confidentiality. No names are required to appear on the questionnaire and results will be reported for the entire survey rather than on an individual basis. If you have a concern regarding the implementation of the project, you are welcome to contact The Secretary, Human Research Ethics Committee University of Southern Queensland, Toowoomba Queensland Australia 4350, or by telephone at 011 61(7) 4631 2956, or the Chair, Research Ethics Board, Okanagan University College, 3333 College Way, Kelowna B.C. V1V 1V7, or by telephone at 250 762 5445 Ext. 6204.

For any questions about the survey, or if you would like any additional information, please feel free to call me at (250) 762 5445 EXT. 4350, or contact me by email at hbanham@ouc.bc.ca. Thank you for your valuable contribution to this research effort. While your participation is entirely voluntary, it is sincerely appreciated. You are also free to withdraw at any time. If you are ready to proceed, please click on the link to www.zoomerang.com.

Heather C. Banham BBA, CGA, MBA
Chair - Business Administration Department
Okanagan University College

Appendix 2 – Letter to SMEs re Questionnaire (by mail)



29 March 2004

My name is Heather Banham and I am currently the Chair of the Business Administration Department at Okanagan University College. I am currently involved in research relating to Organisational Change in Small and Medium Enterprises (SMEs) in partial completion of the requirements for the Doctor of Business Administration program at the University of Southern Queensland.

This research is important for SMEs as they play an important role in the economy of the Okanagan. Your company has been selected because it fits the profile of SMEs that make a valuable contribution to the economic health of our region. The findings from this research have the potential to assist organisations to cope with the never-ending requirements for change that characterize today's business environment.

The questionnaire has been developed to minimize the amount of time for completion and to facilitate the summarization of the findings. It should only take about ten (10) minutes to complete. A summary of the research findings is available at http://www.zoomerang.com/reports/public_report.zgi?ID=7Q3VED4MD66Q. The findings may also be disseminated by publication in business and/or academic journals and at conferences.

Your responses will be treated with strict confidentiality. No names are required to appear on the questionnaire and results will be reported for the entire survey rather than on an individual basis. If you have a concern regarding the implementation of the project, you are welcome to contact The Secretary, Human Research Ethics Committee University of Southern Queensland, Toowoomba Queensland Australia 4350, or by telephone at 011 61(7) 4631 2956, or the Chair, Research Ethics Board, Okanagan University College, 3333 College Way, Kelowna B.C. V1V 1V7, or by telephone at 250 762 5445 Ext. 6204.

For any questions about the survey, or if you would like any additional information, please feel free to call me at (250) 762 5445 EXT. 4350, or contact me by email at hbanham@ouc.bc.ca. Thank you for your valuable contribution to this research effort. While your participation is entirely voluntary, it is sincerely appreciated. You are also free to withdraw at any time. A reply-paid envelope is enclosed for your convenience.

Heather C. Banham BBA, CGA, MBA
Chair - Business Administration Department
Okanagan University College

Appendix 3 – Survey Instrument

Organisational Change in Small and Medium Sized Enterprises

Please note that all information provided on this form will be kept strictly confidential.

The research findings will not directly or indirectly identify any organization.

YOU AND YOUR ORGANIZATION

1. How many employees are in your organization?

- ☐ Less than 20
- ☐ 20 to 50
- ☐ 51 to 200
- ☐ 201 or more

2. How many locations does your organization have?

- ☐ One only
- ☐ 2 to 4
- ☐ 5 to 10
- ☐ 11 to 20
- ☐ More than 20

3. Where is your Head Office located?

- ☐ British Columbia
- ☐ Alberta
- ☐ Ontario
- ☐ Other Canadian Province
- ☐ United States
- ☐ Other, please Specify

4. What is your organization's principal product or service?

5. Which of the North American Industry Classification System (NAICS) categories best describes your organization's main operations?

- ☐ Agriculture, Forestry, Fishing, Hunting
- ☐ Construction Industries
- ☐ Manufacturing Industries
- ☐ Wholesale Trade
- ☐ Retail Trade Industries
- ☐ Transportation and Warehousing
- ☐ Finance and Insurance Industries
- ☐ Real Estate and Rental and Leasing
- ☐ Professional, Scientific and Technical Services
- ☐ Management of Companies and Entertainment
- ☐ Administration and Support Waste
- ☐ Educational Service Industries
- ☐ Health and Social Service Industries
- ☐ Arts, Entertainment and Recreation
- ☐ Accommodation and Food Service
- ☐ Other Services (Except Public Administration)

6. Which of the following best describes the management level of your current work position?

- ☐ Chief Executive Officer (CEO)
- ☐ Manager reporting to CEO
- ☐ Middle Manager
- ☐ Supervisor
- ☐ Other, please Specify

7. Please indicate your highest level of formal education

- ☐ High School Graduation
- ☐ Technical or Trade Qualification
- ☐ Diploma (2 years)
- ☐ Degree (Baccalaureate)
- ☐ Post Graduate Degree
- ☐ Other, please Specify

8. Please indicate your age group

- ☐ Under 30 years
- ☐ 31 to 45 years
- ☐ 46 to 55 years
- ☐ 56 to 65 years
- ☐ More than 65 years

9. Please indicate your gender

- ☐ Male
- ☐ Female

10. Are you an owner or part-owner of the company?

- ☐ Yes
- ☐ No

11. Is this organization family-owned?

- ☐ Yes
- ☐ No

12. If yes, do family members manage the business?

- ☐ Yes
- ☐ No

13. Is this business part of a franchise?

- ☐ Yes
- ☐ No

14. When was your organization established?

- ☐ Less than 1 year ago
- ☐ 1 to 2 years ago
- ☐ 2 to 3 years ago
- ☐ 3 to 5 years ago
- ☐ 5 to 10 years ago
- ☐ More than 10 years ago

15. Does your organization export? (Please select all that apply)

- ☐ No, we do not export
- ☐ United States
- ☐ Mexico
- ☐ Asia-Pacific
- ☐ Europe
- ☐ Africa
- ☐ South America

16. If you indicated that your organization does export, please indicate how long you have been involved in exporting

- ☐ Less than 3 years
- ☐ 3 to 5 years
- ☐ More than 5 years

17. Is there a manager in your organization whose principal responsibility covers human resource management?

- ☐ Yes
- ☐ No

18. Does your organization have a Human Resource Management Department

- ☐ Yes
- ☐ No

19. Does your organization have a Business Plan (normally including sales and marketing plans, human resource planning and budgets)?

☐ Yes ☐ No

20. Does your organization have a formalized Strategic Plan (normally including analysis of the Strengths Weaknesses Opportunities and Threats and your mission/vision)?

☐ Yes ☐ No

21. Are specific goals and objectives identified as part of the strategic and/or business plan?

☐ Yes ☐ No

22. Has the business altered its practices to achieve the goals and objectives in the business plan?

☐ Yes ☐ No

23. How frequently does your business access the internet?

- ☐ Many times daily
- ☐ Daily
- ☐ Weekly
- ☐ Monthly
- ☐ Never

ORGANISATIONAL CHANGE

24. To what extent have the following changes occurred to the work force in your organization over the past three (3) years

Permanent full-time employment			
1 Increased	2 Decreased	3 No Change	4 Not Applicable
Permanent part-time employment			
1 Increased	2 Decreased	3 No Change	4 Not Applicable

Casual employment			
1 Increased	2 Decreased	3 No Change	4 Not Applicable
Number of apprentices/trainees			
1 Increased	2 Decreased	3 No Change	4 Not Applicable
Number of independent Contractors			
1 Increased	2 Decreased	3 No Change	4 Not Applicable

25. Have any of the following practices been introduced into your organization in the past three (3) years? Please indicate all that apply.

- ☐ Flexible Work Hours
- ☐ Telecommuting/work from home
- ☐ Use of Consultants
- ☐ Contracting out work previously performed in-house
- ☐ Job Rotation
- ☐ Job Sharing
- ☐ Quality problem-solving teams
- ☐ Self-managing work teams
- ☐ Productivity improvement plans
- ☐ Re-engineering business practices/processes
- ☐ Total Quality Management (TQM)
- ☐ Bench marking
- ☐ Best Practice (compared with other Canadian organisations)
- ☐ Best Practice (compared with international organisations)
- ☐ Cross Functional Project Teams
- ☐ Quality Initiatives (e.g. ISO 9000)
- ☐ Accommodation and Food Service
- ☐ Other – Please Specify

26. Have any of the following changes been experienced by your organization in the past three years? Please indicate all that apply.

- ☐ Change in Product
- ☐ Change in Service
- ☐ Re-structuring of work practices
- ☐ New Ownership
- ☐ Management Reorganization
- ☐ Change in management personnel
- ☐ New Plant
- ☐ New Equipment
- ☐ New Technology
- ☐ Changes to the work force
- ☐ Unionization
- ☐ Non Unionization
- ☐ Other – Please Specify

☐

27. Which of the changes from the previous question took place in the last 12 months? Again, please indicate all that apply.

- ☐ Change in Product
- ☐ Change in Service
- ☐ Re-structuring of work practices
- ☐ New Ownership
- ☐ Management Reorganization
- ☐ Change in management personnel
- ☐ New Plant
- ☐ New Equipment
- ☐ New Technology
- ☐ Changes to the work force
- ☐ Unionization
- ☐ Non Unionization
- ☐ Other – Please Specify

28. Which of these changes has been the most significant for your organization in the past three (3) years?

29. Which of the following objectives were pursued when the most significant change was introduced – select all that apply.

- ☐ Reduced Labour Costs
- ☐ Improved Labour Productivity
- ☐ Improved Labour Flexibility
- ☐ Increased Competitiveness
- ☐ Cost Reductions
- ☐ Waste Reductions
- ☐ Improved Business Processes
- ☐ Improved Decision Making
- ☐ Improved Customer Service
- ☐ Improved Internal Communications
- ☐ Increased Employee Consultation
- ☐ Increased Employee Commitment
- ☐ Lower Absenteeism
- ☐ Other – Please Specify

30. To what extent were these objectives achieved?

Reduced Labour Costs			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Labour Productivity			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Labour Flexibility			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Increased Competitiveness			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable

Cost Reductions			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Waste Reductions			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Business Processes			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Decision Making			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Customer Service			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Improved Internal Communications			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Increased Employee Consultation			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Increased Employee Commitment			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Lower Absenteeism			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable
Other – as indicated above			
1 Not at all	2 To a minor extent	3 To a major extent	4 Not Applicable

31. How important were the following factors in the decision to introduce the most significant change into your organization.

Customer Expectations for Price			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Customer Expectations for Quality			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Erosion of Profits			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Changing Products or Services			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Availability of New Technology			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Affordability of New Technology			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
North American Free Trade Agreement (NAFTA)			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Export Market Opportunity			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Desire to Compete Globally			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Exchange Rate Fluctuations			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable

Increased Competition in the marketplace			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Change in Government Regulation			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Inflexibility in the Work Force			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable
Major Supplier Requirement			
1 Not important	2 Somewhat Important	3 Very Important	4 Not Applicable

It is proposed to follow up this research by interviewing approximately eight to ten participants to gain additional insight into changes in small and medium sized enterprises in the Okanagan Valley.

Again, all information provided on this form will be kept strictly confidential. The research findings will not directly or indirectly identify any organization.

32. Please complete the contact details below if you would be prepared to participate further in this research.

<i>Name:</i>
<i>Company:</i>
<i>Address:</i>
<i>City/Town:</i>
<i>Postal Code:</i>
<i>Email Address:</i>
<i>City/Town:</i>

33. Is there anything you would like to add? Do you have any comments about Organisational change in your particular situation? If so, please write below.

Thank you very much for your participation

Appendix 4 – Notice to Interview Participants



**Office of:
Heather C. Banham BBA, CGA, MBA
Business Administration Department
Telephone: 250 762 5445 Ext. 4350
Email: hbanham@ouc.bc.ca**

NOTICE TO PARTICIPANTS – RESEARCH INTERVIEWS

“Organisational Change in Small and Medium Enterprises”

Thank you for volunteering for further participation in this research initiative relating to Organisational Change in Small and Medium Enterprises (SMEs).

In accordance with the Ethical Guidelines for Research of both the University of Southern Queensland and Okanagan University College, I would just like to restate that your participation is entirely voluntary, you are free to withdraw at any time, and that the findings will be held in the strictest confidence. The findings will be reported in aggregate only and will not identify any individuals or their organisations. A summary of the findings will be made available to each of the participants.

Your confidentiality will be preserved. The data gathered from the interviews and the surveys will be kept in locked storage for seven years at the Business Administration Department of Okanagan University College.

If you have a concern regarding the implementation of the project, you are welcome to contact The Secretary, Human Research Ethics Committee University of Southern Queensland, Toowoomba Queensland Australia 4350, or by telephone at 011 61(7) 4631 2956, or by telephone at 011 61(7) 4631 2956, or the Chair, Research Ethics Board, Okanagan University College, 3333 College Way, Kelowna B.C. V1V 1V7, or by telephone at 250 762 5445 Ext. 6204.

Appendix 5 – Interview Guide

Interview Guide – Organizational Change in SMEs

What is your opinion of the idea that SMEs are unique – that they are not just a scaled down version of big business? Why?

What event created the greatest opportunity for your business in recent years?

What event created the most serious threat to your business in recent years?

Do you project growth in the size of your business in the future in regard to sales?

Do you project growth in the size of the workforce in your organization?

- Over the next year
- Over the next 3-5 years

Do you believe that SMEs will be able to deliver on the expectations that government has placed on them as drivers of economic growth?

- Why or why not?
- Is there a regulatory change that would provide a boost to your business?

Does the proposed model of Organizational Change in SMEs seem appropriate to your organization?

- In relation to the Unique Characteristics
- In relation to the Tools for Change
- In relation to the Forces for Change
- In relation to the response by leadership
- In relation to the pace of change
- In relation to the use of the tools to adjust to the change

That covers the questions that I wanted to ask, can you think of anything that I should have asked you but I haven't?

Appendix 6 – Focus Group Questionnaire

Organisational Change in Small and Medium Sized Enterprises

Validation of Proposed New Model

Please consider each aspect of the proposed model of Organisational Change in Small and Medium Enterprises (SMEs) and indicate your opinion below:

1. Unique Characteristics of SMEs:

	1 Very Appropriate	2 Mostly Appropriate	Not Applicable
Leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Are there any other Unique Characteristics of SMEs that should be included?

3. Tools for Change:

	1 Very Appropriate	2 Mostly Appropriate	Not Applicable
Organisational Change Practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Human Resource Practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategic Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategic Changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisational Structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business Process Changes and Operational Changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Are there any other Tools for Change that you think should be included?

5. The Forces for Change:

	1 Very Appropriate	2 Mostly Appropriate	Not Applicable
Technological Advances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Expectations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier Requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory Environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Are there any other Forces for Change that you think should be included?

7. The five steps in the change process:

	1 Very Appropriate	2 Mostly Appropriate	Not Applicable
Leadership Plans or Reacts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Leader Implements the Tools for Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Impact of Change on Organisational Effectiveness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluation and Feedback	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
– No Time to Re-Freeze	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Face New Forces for Change – Revisit Step One	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Other Elements of the Model:

	1 Very Appropriate	2 Mostly Appropriate	Not Applicable
Pace of Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continual Process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal Changes (such as Management Reorganization)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Are there any other elements of the change process that should be depicted?
